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POSTAL SAVINGS BANK

HEARINGS

BEFORE THE

COMMITTEE ON THE POST-OFFICE AND POST-ROADS

HOUSE OF REPRESENTATIVES

JOHN W. WEEKS, MASS., *Chairman*

JOHN J. GARDNER, N. J.	FRANCIS H. DODDS, MICH.
NEHEMIAH D. SPERRY, CONN.	VICTOR MURDOCK, KANS.
WILLIAM H. STAFFORD, WIS.	JOHN A. MOON, TENN.
GEORGE F. HUFF, PA.	DAVID E. FINLEY, S. C.
J. SLOAT FASSETT, N. Y.	JAMES T. LLOYD, MO.
SYLVESTER C. SMITH, CAL.	JOHN H. SMALL, N. C.
FRANK O. LOWDEN, ILL.	THOMAS M. BELL, GA.
CYRUS DUREY, N. Y.	WILLIAM E. COX, IND.
THOMAS R. HAMER, IDAHO.	RALPH H. CAMERON, ARIZ.

EDWIN L. WILLIAMS, *Clerk*

MARCH, 1910

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POSTAL SAVINGS BANK.

COMMITTEE ON THE POST-OFFICE AND POST-ROADS,
HOUSE OF REPRESENTATIVES,
Wednesday, March 16, 1910.

The committee met at 10.40 o'clock a. m., Hon. John W. Weeks (chairman) presiding.

The CHAIRMAN. The committee will be in order. This meeting is for the purpose of giving a hearing to those who may be interested in Senate bill 5876, a bill providing for a postal savings bank, and incidentally to consider House bills 1476, 6108, 12309, 14551, 15799, and 18159, all of which have been introduced for the same purpose. A subcommittee of the Post-Office Committee gave a hearing to the Postmaster-General on this subject in January, 1909, which is in print, and which presents many of the affirmative arguments in favor of the establishment of a postal savings bank. I want to call that to the attention of the committee and of those who may be interested in this legislation. Furthermore, I want to say to those who are going to appear that, while the committee is prepared to hear anyone and everyone who has any information on this subject, we hope that arguments and statements will be reduced to as nearly facts bearing on it as possible. The committee has a large amount of work to do, and we do not want to have you devote the time to going over the same arguments made by several individuals if it can be avoided. I have promised to give a hearing to representatives of the American Bankers' Association first; to Professor Sprague, of Harvard University, second; to representatives of the Farmers' Union third; and to Mr. Cowles fourth.

Mr. Teter, will you take charge of the hearing as far as it applies to the representatives of the American Bankers' Association?

STATEMENT OF MR. LUCIUS TETER, PRESIDENT OF THE CHICAGO SAVINGS BANK AND TRUST COMPANY, CHICAGO, ILL., CHAIRMAN OF THE POSTAL SAVINGS-BANK COMMITTEE OF THE AMERICAN BANKERS' ASSOCIATION.

Mr. TETER. Mr. Chairman and gentlemen of the committee, we wish to first of all thank you for your courtesy in inviting us here. We recall with a great deal of pleasure our visit with you a year ago, and we are glad to go further in the consideration of this question, which I think we have all given further consideration to since we last met.

At the outset I think it is only fair to the American Bankers' Association for me to make a statement to you, most of which I think you already hold as true, but which I believe ought to be made at this point, and that is in reference to the position of the American Bankers' Association on this question. The newspapers, which are not

always kind either to you or us, have seemingly been determined at all times to put us in the wrong light on this question. They have said we have millions of dollars at our command to use in fighting this legislation, and so forth, and I want to go on record on behalf of all of us in stating that we have spent mighty little money—at no time, I think, over $3,000 a year, which has been almost entirely used in printing and stationery in this connection. When our attention was first called to possible postal savings-bank legislation by Senate Document 544 we immediately realized that there was a great need for an educational campaign on this question, and our entire conduct in connection with this matter has been based on those lines of educational activity.

The American Bankers' Association, for years before it became a public question, called the attention of the people of this country to our unfortunate currency situation. We have for years put ourselves in line with the most progressive and the most thoughtful of legislation. This question of currency now is recognized, and you have a most profound commission at work on this very great problem, and it was at the close of our hearing last year, after summing up the situation, that we said to you that this question was so great, so vast in its ramifications, that that question too should be either submitted to the Monetary Commission or some similar commission, to be carefully studied. That is all we asked for; it is all we ask for now. It has been said that the bankers are the only people who oppose this legislation. That is not true. But if it were true, it would still remain that we probably oppose it because we know more about it than any other class of people. It still remains true that if you want carpenter work done you go to a carpenter; if you want medical treatment, you seek a doctor; and it still remains true, and will ever remain true, that the bankers of the United States know more about the financial affairs and the needs of the people in that connection than any other class of men.

Fortunately, while the question was not referred, possibly could not have been referred, to a special committee, the Monetary Commission, in its good time, offered its first report. To show you that there was a need for education and a need for delay, and a need to give the thing careful study, in the Postmaster-General's hearing before you a year ago, as shown on page 61, he said that the total savings deposits in the United States were $3,660,000,000, practically all of it being in States east of the Allegheny Mountains. We told you in our hearing that that was incorrect, and filled our record with statistics which I will not now repeat, which we had gotten from the banking departments of the several States and from the Comptroller of the Currency. I now hold in my hand the first of the documents from the Monetary Commission, and it shows that there are 18,245 banks doing a savings business in the United States, and that their total deposits in savings departments alone are $5,678,735,379.65 His statistics showed that there were 1,415 such banks. We submit that that at once proves our point in reference to the banking facilities of the United States. It shows conclusively, in the first place, that there are infinitely more banks in number in the United States than in any other country in the world—nay, more, there are more banks in the United States to-day than in all the rest of the world put together.

The CHAIRMAN. Do you mean by that, that that would be true if you included as separate banks branches of established banks?

Mr. TETER. That would be true with that. I shall not take your time to-day to go over these by separate States. That is now a matter of record in the Monetary Commission's report, and we can to-day present no more thorough arguments of our position in this matter than to refer you to that document. I think it is a matter of some gratification to us to have that document so thoroughly show, in its accurate way, the correctness of the statements we have made in connection with this matter for two years.

There are angles of the question, however, that I would like to refer you to briefly from men from different parts of the country who can give you the points of view from those sections. We have never at any time contended that this question ought to be considered on account of banks simply as banks. If the banks are not giving a service, or a complete service, they have no right to ask that any changes be withheld on their account; but it is in the position as the bank is an agent of the community, where it is on one side taking money of one class of people and loaning it to the other class, the borrowing class, in that same community, that we would have to consider these banks. Therefore I will hasten at once to present Mr. E. R. Gurney, who is vice-president of the First National Bank of Fremont, Nebr., and who is widely experienced in the banking conditions in the West, who will speak to you on the point of the banking conditions in the West and the possible effect of the postal savings-bank legislation on the growing and developing parts of our country.

STATEMENT OF MR. E. R. GURNEY, VICE-PRESIDENT OF THE FIRST NATIONAL BANK OF FREMONT, NEBR.

Mr. LLOYD. Have you any connection with the Bankers' Association as an officer?

Mr. GURNEY. Yes, sir; I am a member of the executive council of the American Bankers' Association; yet I do not presume to represent that body here to-day, coming here at the request of Mr. Teter only.

As he has intimated, I live in the West——

Mr. FINLEY. Excuse me right there. You come at his request, but you have in mind the organization he represents?

Mr. GURNEY. Yes, sir; I presume so. I merely did not wish to appear in a false light as representing the opinion of the executive council of the American Bankers' Association.

Mr. FINLEY. You do understand that he had authority to invite you for the organization he represents?

Mr. GURNEY. Yes, sir. That is your understanding, Mr. Teter?

Mr. TETER. Yes.

Mr. LLOYD. Then you speak for more than yourself, when you speak, do you not? I want to understand you as well as you wish to be understood.

Mr. GURNEY. I am very willing to have it so understood, if you wish, that I do speak in a representative capacity, then.

Mr. LLOYD. We do not want any understanding about it except the truth.

Mr. FINLEY. He states he has been invited by Mr. Teter, who is the representative of an organization.

Mr. GARDNER. I take it that you simply wanted it to go into the record that you were not here as a representative of your association—that is, that you had not credentials from them?

Mr. GURNEY. That is the idea exactly, sir; that I am not delegated by the executive council, though I am a member of it, but am here at the invitation of Mr. Teter.

Mr. TETER. Mr. Chairman, I will make just an explanation. The reason I asked Mr. Gurney was because I wanted to get before this committee the points of view of different parts of the country. It has so often been said that there are no banking facilities in the West, and that sort of thing, and I thought I would bring to the committee the best trained men along these lines that I could secure. That is Mr. Gurney's position.

Mr. GURNEY. I have lived in the West for forty years, and during a good share of that time I have been doing business, and have stood it so long. When I speak of the West, I am referring now not only to Nebraska but to many of the States that are similarly situated—I might say all of them west of the Mississippi and south of the Ohio River, in that they are agricultural; they are States in which agriculture rather predominates, and in which there are great natural resources and wonderful opportunities, all of which resources and opportunities require capital in their most perfect handling.

I think back twenty-seven years ago, when I lived in western Nebraska, when we did not have money enough to buy postage stamps, either plural or singular. We were penniless, and in my mind there come recollections of the great need of money that my neighbors have always had to buy farms with, and live stock, and fencing, and buildings, and schoolhouses, and railroads, and everything. It has been the universal thought, running back in the past, that we would go east to find money, for instance, for farm loans, and for the flotation of bonds, and for the discounting of paper. It has been the crying need that we have always had in the West for capital, and this need is rapidly being filled; it is being filled through the agency of the local bank in the West.

I think I need not remind the committee that that individual or that community which must go to its neighbors to borrow money is not in the strongest financial position, for the reason that borrowed money is, at best, a mixed blessing, for that neighbor who lends him may require it back again, leaving the borrower in bad condition. But we have gone on through the organization of these local banks, and we have gone a long way toward filling the monetary requirements of our people, and in a most marvelous degree. For instance, in South Dakota there are 550 banks, and they have gathered up $75,000,000 of deposits, and they have lent to their own people, not only all of their own capital, but of this deposit about sixty millions. In North Dakota there are 570 banks, and they have $58,000,000 gathered up and put to work. In Nebraska we have 900 banks, and their deposits, which they have gathered together, are one hundred and eighty-five millions to-day; and in Kansas there are 1,000 banks; in Minnesota there are 1,000 banks; in Iowa there are 1,400 banks; in Missouri there are 1,200. I do not ascribe to these local banks one particle of benevolence or one thought of beneficence in their

operations. They are operated merely by selfish men who desire deposits because they can use them profitably, and who lend money because they can lend it profitably, and who lend it at home because it would be unsafe to trust it to strangers.

The CHAIRMAN. What proportional part of those deposits are savings deposits?

Mr. GURNEY. Will you pardon me, Mr. Chairman, one moment, and I will speak of that?

The CHAIRMAN. If you prefer, we will not ask you any questions until you have completed your statement.

Mr. GURNEY. I am very glad to have you ask me questions at any time, but I merely wanted, before you asked me any questions, to call your attention to this fact, that in Minnesota, or Kansas, or Nebraska, in any one of those three States, there are as many banks as there are in all of New England, excepting eighty. There are 1,080 banks in all the New England States and 1,000 in either Minnesota or Kansas. In Iowa and Missouri combined, having 2,600 banks, there are more than in all New York, New Jersey, Delaware, Pennsylvania, Maryland, and the District of Columbia, having 2,400 banks.

As to your question, Mr. Chairman, three years ago I was delegated to prepare a paper to read before a local bankers' convention on "Certificates of deposit." I think that perhaps it is not necessary for me to remind you that in the West the certificate of deposit, an instrument payable in three, six, nine, or twelve months, and bearing interest, takes the place of the deposit of the mutual savings bank. We have in our State but two or three savings banks, and yet we have savings centers in 900 banks. In the course of my investigation I wrote letters to all sections of our State, and as nearly as I could find out, Mr. Chairman—this is in answer to your inquiry—about 35 per cent of the deposits of our State are represented by certificates; that is, interest-bearing certificates, to which I referred.

The CHAIRMAN. What is the usual rate of interest?

Mr. GURNEY. If you will pardon me one moment, I will answer that. I wanted to say that out of a total of one hundred and eighty-five millions 35 per cent would be about sixty millions in our State at interest on these certificates.

Now, as to your question as to the interest rate. I discovered in my correspondence something that seemed very strange and anomalous to me, and that is that these interest rates vary. That, in itself, is not anomalous, but the anomalous thing is that the variation of these rates of interest did not seem to affect the volume of deposits very materially. I found some towns, two or three, that did not pay a cent of interest; Madison was one, and Minden. Then I found quite a number of towns—a few that paid 2 per cent only, either on six months or twelve months. I found sometimes where one bank on one side of the street would pay interest and another bank on the other side of the street would pay no interest.

Mr. GARDNER. You mean on certificates?

Mr. GURNEY. Yes. The banks that paid no interest would issue very few certificates, of course. Then I found that the banks in a great majority of towns in our State were paying 3 per cent on either six or twelve months. Then I found some towns that paid four, and five, and six, the latter in cases where the banker, in some

more sparsely settled communities, and very keen for money, would pay a high rate rather than to lose it.

Mr. FASSETT. Do they make any difference between six months and the year?

Mr. GURNEY. Quite frequently; they will pay 5 per cent on six months, and 6 in that case I speak of, where the high rate would be 1 per cent more for a year than for six months.

Mr. COX. Is there any minimum amount fixed that the bank will pay interest on?

Mr. GURNEY. I hardly think so.

Mr. COX. In your investigation did you find anything?

Mr. GURNEY. No, sir; I never found any exception. They will take $5, or $6, or $10, most any amount.

Mr. HAMER. You are speaking of certificates of deposit?

Mr. GURNEY. Yes.

Mr. HAMER. You say you have some savings banks in Nebraska?

Mr. GURNEY. Will you allow me to explain that a savings bank in Nebraska is a very restricted institution? It can not allow anyone to check on it. The depositor must come in with his book and get his money.

Mr. HAMER. Do you have savings departments in your banks generally in Nebraska?

Mr. GURNEY. Yes, sir. I will answer the other question in a moment. They are very restricted in their investments, and therefore there are in the whole State of Nebraska only five or six savings banks.

The CHAIRMAN. Is not that true anywhere?

Mr. GURNEY. It is commonly reported that in our State a legislative committee twenty years ago, in framing the law, was very unfriendly to savings banks, and they made the law so onerous that it has never been used very much.

Mr. HAMER. Let us go back to this savings department. Do your banks generally have a savings department?

Mr. GURNEY. Yes, sir. We find that of about 230 national banks probably one-half, maybe more, have inaugurated what they call savings departments. They receive the funds on savings terms and invest them on commercial terms; that is, there is no restriction on their investment.

Mr. HAMER. What rate of interest do they pay on those savings deposits?

Mr. GURNEY. I will say 3 per cent, as far as my investigation goes.

The CHAIRMAN. You mean the average rate?

Mr. GURNEY. Yes, sir; it may vary.

The CHAIRMAN. Is that true of all those States you have referred to?

Mr. GURNEY. I think so, Mr. Chairman; I think I substantially made a correct statement as to these other States. It is true that in some States savings banks have much more liberal charters, and there are very many of them. That would be a difference.

Mr. HAMER. What is the average of deposits in these savings departments in your different banks?

Mr. GURNEY. They would run small here.

Mr. HAMER. Small? As small as a dollar?

Mr. GURNEY. Oh, yes. The total of these savings in these savings departments runs to $4,600,000, on the latest returns, and I do not know the proportion of each. But let me explain that these have been newly instituted and probably would run rather small.

Mr. HAMER. They will accept deposits in any amount, will they, that a depositor will take to the counter?

Mr. GURNEY. Yes, sir.

Mr. HAMER. Do you issue a pass book, usually?

Mr. GURNEY. Sure.

Mr. HAMER. And the deposits are placed in the pass book?

Mr. GURNEY. Yes, sir.

Mr. HAMER. And of course they can draw that out under certain restrictions, certain rules provided by the bank?

Mr. GURNEY. Yes, sir; I think those rules are very easy, and the restrictions very light.

Mr. DODDS. What do you mean when you say there are no restrictions in the way of investing funds that are placed in those savings departments of the national banks?

Mr. GURNEY. Because the national bank operates under the national law, and that law never contemplated investment of its funds in real estate securities, or anything of that kind, and therefore the banker, complying with the laws and the rulings of the comptroller, must conform his loans to the national law.

Mr. FASSETT. You mean there are no restrictions as to the savings departments differing from those that apply to all your funds?

Mr. GURNEY. No, sir; there can be no difference, as yet.

Mr. HAMER. This savings plan is rather an innovation out there, is it not?

Mr. GURNEY. I might say it has been promoted quite largely by manufacturers of pocket safes who have gone into the various towns.

Mr. HAMER. And made an arrangement with the banks?

Mr. GURNEY. And they say, "Let us sell you 500 of these pocket safes and place them with the children, and get it started."

Mr. HAMER. And they go out and make a canvass among the people?

Mr. GURNEY. Yes, sir; they go out and make a canvass among the people, and I understand rather successfully, too.

Mr. HAMER. The reason why there are no restrictions upon these deposits in your banks, as to loan of the same, is that they are considered by you as any other deposit in the bank, except that you pay interest on it?

Mr. GURNEY. That is it exactly.

Mr. HAMER. And you loan this money to a stock man or a farmer or a corporation just as you would any other funds, if you consider the loan safe and the interest rate satisfactory?

Mr. GURNEY. Yes, sir; you have it stated correctly.

Mr. FASSETT. Do you place any restrictions upon the freedom of withdrawal of these funds? Do you reserve to yourself on the certificate the right of thirty days' notice or ten days' notice, or any other restriction?

Mr. GURNEY. Let me say, first, that so far as certificates are concerned, they are negotiable instruments, and we could reserve no right of thirty days or otherwise.

Mr. HAMER. Those certificates are usually due at a date certain?

Mr. GURNEY. Yes, sir.

Mr. HAMER. In other words, your certificates of deposit will run for six months or a year?

Mr. GURNEY. Yes, sir; but the gentleman asked me if we put any restriction like a thirty-day restriction on a certificate.

Mr. FASSETT. When you issue these certificates, does the interest begin to run from the time of the deposit, or does it not begin to run until after three months or six months?

Mr. GURNEY. I never saw a certificate otherwise than that the interest began from its date.

Mr. FASSETT. Suppose the deposit remains a shorter time than three months or six months, does it still draw interest?

Mr. GURNEY. You understand that these customs will vary.

Mr. FASSETT. That is what I wanted to find out.

Mr. GURNEY. The usual custom is to cash all of these certificates on demand at any time before maturity, the holder forfeiting the interest.

Mr. FASSETT. After what time is there no forfeiture?

Mr. GURNEY. According to its terms; if a certificate is drawn——

Mr. FASSETT. What do you call maturity of a certificate?

Mr. GURNEY. Supposing I issue you a certificate payable to yourself, with interest at the rate of 3 per cent, to run three months. Then, if you come in at the end of two months, you would get no interest, but at the end of three months you would be entitled to the interest that it bears.

Mr. FASSETT. What is the usual custom in Nebraska?

Mr. GURNEY. I think I have stated it.

Mr. FASSETT. Three months or six months?

Mr. GURNEY. I think six months would be more usual.

Mr. COX. But the depositor could get his money any time?

Mr. GURNEY. Yes, sir.

Mr. FASSETT. He gets his money on demand, but he gets his interest only in case the certificate remains to maturity or longer?

Mr. GURNEY. That is it.

Mr. MOON. Suppose a certificate was for three months, and they did not ask for the money for four months, would they pay for the month after maturity?

Mr. GURNEY. In our bank we do not; we pay for either three months or six months, but not for four.

Mr. HAMER. That depends on the generosity of the banker, to some extent?

Mr. GURNEY. Yes, sir; and it would be a good deal of generosity for us to pay for four months.

Mr. COX. There is usually a limit of time after which there will be no interest, is there not?

Mr. GURNEY. Yes, sir; that is necessary; otherwise they might stay out forty years.

Mr. FINLEY. Your bank makes its own rules in regard to that?

Mr. GURNEY. Yes, sir.

The CHAIRMAN. You have spoken generally of the agricultural States west of the Mississippi River. As you proceed, when any material difference in the laws or the regulations in any one of those States occurs to you I wish you would mention it; otherwise we will assume you are speaking of that whole community, and not of Nebraska alone.

Mr. GURNEY. I will bear that in mind, although it is not my intention to bore you too long with any long-winded speech.

Mr. FASSETT. On the deposits you spoke of the pocket savings bank; do you issue pass books to indicate those deposits, or do you issue a certificate?

Mr. GURNEY. Never a certificate; it is always pass books.

Mr. FASSETT. Do you make a distinction in the amount of deposits you receive with reference to the pass-book system and your certificate system?

Mr. GURNEY. A distinction, how? On reports?

Mr. FASSETT. For instance, you will not issue a certificate for a dollar?

Mr. GURNEY. I expect not. A banker does not ordinarily refuse deposits, but we will say $5.

Mr. FASSETT. You have a certain practice that varies, but within general limits I want to get at; but you will accept a deposit of 5 cents, 10 cents, 1 cent, on the pass book?

Mr. GURNEY. Yes, sir; that is right.

Mr. FASSETT. Do you make any distinction in the interest you pay to that small depositor or the certificate depositor? And if so, tell us what that is.

Mr. GURNEY. I would say that we would make this distinction, in our town—and perhaps this would be true generally—we would pay you on your balance for the month of January, and on your balance for the month of February.

Mr. FASSETT. Are you speaking now of the book?

Mr. GURNEY. Yes, sir; we would take your account and ascertain the smallest amount you had in the month of January and allow you interest on it, and the smallest amount in February, and allow you interest.

Mr. FASSETT. Average monthly balances?

Mr. GURNEY. The minimum monthly balances; we would take March, and so forth and so on. Of course, you can see that is a little more advantageous than a three months' or a six months' certificate, which carries a stated amount clear through. But the rate is the same, and I might say, too, that these pass-book accounts are small, mostly with children, and we are not disposed to figure very closely; we would rather give them a little the advantage.

Mr. FASSETT. But your bank is open for small deposits?

Mr. GURNEY. Oh, yes.

Mr. FASSETT. And you practically in Nebraska have no competition with savings banks?

Mr. GURNEY. No, we practically have no competition with savings banks, except as the certificate constitutes a medium for savings, and all banks issue them.

Mr. FASSETT. This four millions of deposits you spoke of referred only to Nebraska?

Mr. GURNEY. Yes, sir; that is the report to the comptroller.

Mr. FASSETT. You get that from the report of the state comptroller?

Mr. GURNEY. No; this is deposits in the national banks, as reported to the comptroller here in Washington.

The CHAIRMAN. Is your bank a national bank?

Mr. GURNEY. Yes, sir. However, I am interested in a state bank also—a savings bank.

The CHAIRMAN. Take the national bank; what are its deposits?

Mr. GURNEY. My own bank?

The CHAIRMAN. Yes, sir.

Mr. GURNEY. About $1,000,000. They fluctuate a little above and a little below.

The CHAIRMAN. How many depositors are there?

Mr. GURNEY. I do not know that I know.

The CHAIRMAN. About how many?

Mr. GURNEY. They are increasing all the time, I am proud to say. I should say maybe 1,000.

The CHAIRMAN. Your deposits would average $1,000 apiece?

Mr. GURNEY. Let me explain also that, Fremont being a sort of railroad and industrial center, we have considerable of outside deposits, so that would tend to raise the average very much above normal.

The CHAIRMAN. Do you know how many deposits there are of less than $100 in your bank?

Mr. GURNEY. I could make you a close guess—that there are 400.

The CHAIRMAN. Of the thousand?

Mr. GURNEY. Yes, sir; that would run less than $100.

The CHAIRMAN. Take the state bank, or the savings bank you are connected with; what are the deposits in that?

Mr. GURNEY. The deposits in that bank are about $150,000, and it is only 3 years old.

The CHAIRMAN. How many depositors are there?

Mr. GURNEY. There are somewhere from thirteen to fifteen hundred. Let me also explain to you, Mr. Chairman, that it is the experience of ourselves and all savings banks everywhere that a bank with age will have a larger average for each account than a young bank, because these balances grow.

The CHAIRMAN. Then the average deposit in the savings bank is not very much over $100?

Mr. GURNEY. No, sir. We watched that grow; we were quite proud when it reached $100, and we think in time it will go above that.

Mr. HAMER. Do I understand you to say that the rate of interest you pay is the same on certificates of deposit as on savings accounts?

Mr. GURNEY. Yes, sir; absolutely; 3 per cent, six months, twelve months; and savings accounts—we make no difference.

Mr. HAMER. Is that the general rule in Nebraska?

Mr. GURNEY. I think so; if there is any exception it would be that a great many banks pay 1 per cent higher for year money than six months.

Mr. HAMER. That is the point I was trying to get at. Farther west that is not true. Farther west they will pay a higher rate of interest on the certificates of deposit than they do on the savings deposits, for the simple reason that the money under the certificate-of-deposit plan is less for a time certain; it is less for six months or twelve months or three months, as the case may be.

Mr. GURNEY. It is better money.

Mr. HAMER. While the deposits in the savings department are, of course, for a shorter time, according to the rules of the bank, and as a result of that, they pay a higher interest on certificates.

Mr. DODDS. What proportion of the banks in your State are national banks?

Mr. GURNEY. About somewhere from 20 to 25 per cent. There are about 700 state banks and about 225 national banks, something like that.

Mr. LLOYD. Have you in your State any trust companies which perform the functions of a bank?

Mr. GURNEY. No, sir; the law of Nebraska has never authorized the organization of a trust company, and they are trying at each succeeding session of the legislature to secure legislation to establish them, but they have not been authorized. We have no trust companies.

Mr. LLOYD. Can you speak for the States about you as to the trust-company laws?

Mr. GURNEY. Yes, sir; Missouri has a trust-company law. I am not well enough posted to tell you about a great many of the States in relation to their trust-company laws. Kansas has a trust-company law, but I am really not qualified to tell you much of the particulars, as I have never been interested in trust companies much.

Mr. FINLEY. About what is the rate of interest imposed on borrowers in your country?

Mr. GURNEY. You mean now?

Mr. FINLEY. Yes; the average rate—the general rate?

Mr. GURNEY. My father paid 3 per cent a month for three or four years. That would wipe out the principal about every two or three years. But the rates have continually dropped.

Mr. MURDOCK. When did he pay that 36 per cent a year?

Mr. GURNEY. Twenty-five years ago, year after year.

Mr. MURDOCK. On a loan running twelve months in your country to-day, on real estate, what is the interest paid?

Mr. GURNEY. Answering both these gentlemen together, the farmer takes the lowest rate, 5 per cent on his farms. That prevails over two-thirds of Nebraska; the western half being less desirable the rate will run a little higher. The farmer feeder, who feeds cattle, pays 7 per cent.

Mr. FINLEY. That is a short loan?

Mr. GURNEY. Yes, sir.

Mr. MURDOCK. A ninety-day loan?

Mr. GURNEY. Ninety days or six months. The merchant pays 6 or 7 per cent, and the little fellow in town, who has a sort of a chattel mortgage loan, will pay from 8 per cent up to what he will stand. [Laughter.]

Mr. MURDOCK. Does the law against usury come in there at all on the chattel loan?

Mr. GURNEY. Yes, sir; 10 per cent is our law, and it has gotten so that they do not charge much more than that. [Laughter.]

Mr. COX. Can you give the committee the total capitalization of the national banks of Nebraska, and the total capitalization of the state banks of Nebraska?

Mr. GURNEY. Mr. Teter says he can find that, and it would be better than for me to get at it.

Mr. TETER. That is in the Monetary Commission's report.

Mr. COX. Then could you give the committee some idea as to the volume of business done in Nebraska by the national banks, and compare that with the business done by your state banks in that State?

Mr. GURNEY. Yes.

Mr. Cox. I would like to hear some discussion on that point.

Mr. GURNEY. The deposits of the state banks and of the national banks one year ago were almost neck and neck, about seventy-five millions apiece, and the tendency has been for the state banks, being larger in number, and growing, to overtake the national banks, and to-day the state banks' deposits, according to the last report, were about eighty-five millions, and I will guess the national banks' closely at seventy-five to eighty millions.

Mr. FASSETT. Will you pardon me for interjecting a question right there, Mr. Cox?

Mr. Cox. Certainly.

Mr. FASSETT. The state banks are not prevented from lending on real estate security, are they?

Mr. GURNEY. No, sir, freely; there is no inhibition.

Mr. Cox. Then, which class of banks would you say actually does the larger volume of business in Nebraska, the state banks or the national banks? That is, so far as serving the people in that State is concerned?

Mr. GURNEY. It is one of the great duties, if you can see any duty in an American bank——

Mr. Cox. I do not know much about it.

Mr. GURNEY (continuing). That it is very closely related to its own community. Every bank, both state and national, has a board of directors; for instance, the stock buyer, the lawyer, and the shoemaker, and so forth, have their representative men on the boards, and the opinion of these representative men tends to hold that bank in line with the business of that community, and so I think it is really hardly debatable that either state or national—they try the best they can to please their patrons and build up more business, and make more profits, more dividends. That is what they are trying to do, naturally.

Mr. GARDNER. I fail to catch the relation of this to the postal savings-bank question. Perhaps it is my fault that I do not.

The CHAIRMAN. The chair is inclined to think that the whole question of postal savings banks depends on the necessity for their establishment.

Mr. FINLEY. Absolutely.

The CHAIRMAN. That there are certain people, perhaps many people, who believe that the people of the country, and especially in the thinly settled districts, are not suitably provided with banks, and that they should have additional facilities. I think the questions that have been asked of Mr. Gurney up to this time have been along the lines of indicating whether the people of the community which he represents are suitably provided with banking facilities, and as long as they are confined to that general line I think they are legitimate, and that the information is of value to the committee.

Mr. GARDNER. I am only seeking information, but I would like to see what relation the relative volume of the business of the national and state banks has to this question.

Mr. Cox. I can explain my purpose in asking the question.

The CHAIRMAN. I will leave that to you.

Mr. Cox. I have heard it very seriously debated here in Congress, in the last three months, and I have read a great deal about that question in the newspapers, as to whether or not, in the event a postal savings-bank system is to be established in this country, we are to make as depositories of the funds all banks subject to state or federal supervision.

Mr. FINLEY. That is in that bill here.

Mr. Cox. Yes; I know it is in the bill, but whether or not, if we ever have a postal savings-bank bill, it will be in the bill when it comes out—that is the purpose I had in asking that question. I have my own views about these things. I know in my section of the country the vast volume of the business is done by state banks. If the state banks are not to be permitted to participate in this deposit of the postal savings funds, to me that is an important item. That is the purpose I had in asking that question.

Mr. FASSETT. I suppose presently we will get to the question of how much, if any, money was leaving Nebraska for deposit in foreign countries as a result of the lack of banking facilities. Can you give us any information as to what amount of money, if any, is leaving Nebraska in foreign exchange?

Mr. GURNEY. You do not include Texas as a foreign country, do you?

Mr. FASSETT. Well, not yet. [Laughter.] I never have been fond of the phrase invented by your illustrious fellow-statesman, that any other part of this country was "the enemy's country."

Mr. GURNEY. In Nebraska there is probably no money at any time sent to foreign countries. We do send money to other States for investment, and that is why I put in that joke about Texas.

Mr. FASSETT. I am addressing myself to this point: What percentage, if any, have you of what you might call foreign population, and how much money, if any, are they sending back to Europe annually, either in the way of remittances for home use or for deposit? If we can get at that from every State, we will then know something about what is going from this country for this purpose.

Mr. MURDOCK. Or to Mexico or to any other country than the United States.

Mr. GURNEY. Let me explain, please, that, so far as Nebraska is concerned, we have only one large group of cities, which would be Omaha and South Omaha, and in those places they have some of the less desirable foreign citizenship, and I am not qualified to tell you how much money they send away, because I do not know.

Mr. FASSETT. You are speaking for quite a number of States, are you not?

Mr. GURNEY. Taking the whole State; and the State of Kansas would be described in exactly the same way, and the States of South Dakota, Minnesota, and North Dakota would all come in the same category. Our foreign-born races are, first, German, and then I would name the Scandinavian races, and then the Bohemians. There are others, but I will name those three, and I will say to you as a banker—and I am interested in quite a number of banks in a small way—that the grandest locations I have ever seen for the operation of banks are in these German, Scandinavian, and Bohemian communities, for the very reason that they are the thriftiest people we have, and they do not send their money to foreign countries, but they keep it at home.

Mr. MURDOCK. Is there any Greek or any Italian or Mexican labor used in Nebraska at all?

Mr. GURNEY. Never, with the exception of the large metropolitan cities, in the packing-house districts, and sometimes in industrial centers.

Mr. MURDOCK. You realize that is not true of Kansas?

Mr. GURNEY. I think I have stated it truly for Kansas, that the Greeks and the foreigners are only in the large cities.

Mr. MURDOCK. On the contrary, there is quite a large laboring element in Kansas of Greeks and Mexicans.

Mr. GURNEY. I yield to your superior knowledge of conditions there.

Mr. MURDOCK. But that is not true of Nebraska?

Mr. GURNEY. I think not, with the possible exception of a few section hands on the railroads, or something of that kind.

Mr. DODDS. Outside of your national and state banks, what other banking institutions have you in your State, and in those States for which you speak?

Mr. GURNEY. Not any.

Mr. FINLEY. Before you leave that, I want to ask you this: Is it not the rule of foreign-born persons coming to your country to come there and locate and remain and make a home?

Mr. GURNEY. Yes, sir; that is strictly true.

Mr. FINLEY. And those people do not send their earnings back to their old home, or their old country?

Mr. GURNEY. No, sir; they would have no inducement to do so.

Mr. LLOYD. I want to ask you this question in that connection: Are there any places, any towns in Nebraska, where there are no banks?

Mr. GURNEY. Not that anyone has ever been able to discover. [Laughter.] We have three banks in two-bank towns, and two banks in one-bank towns, and sometimes out where there are not even railroads.

Mr. LLOYD. Are there any communities in Nebraska that would have good postal facilities that have not banking privileges?

Mr. GURNEY. No, sir; I think not. I am quite sure not.

Mr. DODDS. In answer to my question you meant to say that there are no copartnerships or private banks doing banking business?

Mr. GURNEY. Yes, sir. Let me explain that. We have a few private banks, but they are subject to inspection and to publication of reports.

Mr. DODDS. You have included these in your other remarks?

Mr. GURNEY. Yes, sir.

Mr. LLOYD. Do you know of a town in Nebraska of a population of 500 that has not a bank?

Mr. GURNEY. No; and I will give you a thousand dollars if you will name it to me, because I have a lot of people who would like to put a bank in such a spot as that, and they will give a thousand dollars for the information.

Mr. LLOYD. Let me change it a little. Do you know of a place or a town in Nebraska that has a population of 250 in which there is not a bank?

Mr. GURNEY. I will admit that that might occur; I do not know of such a place. I know of many towns of 250 that have good, big banks in them, banks with lots of business; but there might be some.

Mr. FINLEY. Do you know a town of 250 inhabitants that has not sufficient banking facilities nearby?

Mr. GURNEY. I think not; I do not think it is possible to conceive of such a condition.

Mr. SMALL. I wish to direct your attention to one phase of this. There are many who favor postal depositories because it will encourage savings and thrift. In Nebraska are there any mutual savings banks such as are common in New England?

Mr. GURNEY. No, sir; we have none whatever, and our law has never provided for their organization.

Mr. SMALL. Then your savings in Nebraska are only deposited in the state and national banks under certificates of deposit, and that is the only method by which savings are encouraged; is that correct?

Mr. GURNEY. Perhaps you have come in since this discussion began.

Mr. SMALL. No; I have heard most of it.

Mr. GURNEY. Did I not state that many of the national banks have savings departments and issue pass books? I at least intended to so state.

Mr. SMALL. I did not so understand.

The CHAIRMAN. Yes; he so stated.

Mr. SMALL. Still, they are not separate institutions, but they are connected with the banks; they are merely savings departments connected with the banks?

Mr. GURNEY. The ordinary plan is purely a savings department—that is, a department in name largely—it being a part of the machinery of the bank.

Mr. SMALL. Those savings departments connected with the banks, I think I understood you to say, are for the purpose of making money; their primary purpose is not to encourage savings, and find a method for the investment of savings upon the part of those who are not able to invest for themselves, which is the primary purpose of the savings bank proper, as I understand?

Mr. GURNEY. Yes, sir. So far as my observation has gone all banks and all other institutions that are worth anything are founded because the founder desires to make some profits out of it, and I am somewhat sceptical about those institutions that are run on benevolent plans.

The CHAIRMAN. You are not sceptical of the value of the mutual savings banks of New England, are you?

Mr. GURNEY. No; do not understand me that way; I do not mean to say that.

Mr. SMALL. Is not the primary purpose of the New England savings bank to encourage savings and to provide a method of investment for those who deposit their savings among that class of people who ordinarily would not be able to make safe investments?

Mr. GURNEY. You have me here to testify for the west. Really, I can not tell you what New England's motives are, or what she is doing.

Mr. SMALL. Then you are not familiar with the savings banks as they are conducted in New England?

Mr. GURNEY. No, sir; I am not: I am not pretending to be.

Mr. SMALL. Is there any demand in Nebraska for any additional opportunities for encouraging savings upon the part of the people?

Mr. GURNEY. The gentleman here at my left—one of these gentlemen—asked me a moment ago about building and loan associations. We have, we think, an excellent law, or at least the building and loan associations have had grand success in our State, with never a failure, and we have a great many of them. We have both state-wide and local associations. I think there about 70 or 80 of them. I do not know whether that is pertinent to a banking inquiry or not.

Mr. SMALL. I will put the question in another form. Is there any demand in Nebraska for any additional means of providing for savings upon the part of the people?

Mr. GURNEY. I do not think there is.

Mr. LLOYD. Have you examined Senate bill 5876, the bill that passed the Senate?

Mr. GURNEY. Is that the one that recently passed the Senate?

Mr. LLOYD. Yes.

Mr. GURNEY. Yes, sir; I have read it all through.

Mr. LLOYD. Are you favorable to that bill?

Mr. GURNEY. No, sir; I am not favorable to it. First of all, I am not favorable to any postal savings-bank bill, if you want me to be entirely frank, and that is what I suppose you want me here for; and in the second place, there are some weak spots in it.

Mr. LLOYD. You have been discussing the banking feature. I want now to get to the question of the postal savings banks. You discussed the proposition, as I understand it, as to whether there should be a postal savings system at all or not?

Mr. GURNEY. Yes, sir.

Mr. SMALL. Would you mind summarizing your reason, as briefly as you can, why you are opposed?

Mr. FINLEY. And give us your criticisms of that bill.

Mr. SMALL. Take the general proposition of postal savings banks, and then we will go into detail.

Mr. MURDOCK. I submit that while the witness is doing that that he be free from interruptions.

Mr. COX. Let him state his objections to it in concrete form.

Mr. FINLEY. And afterwards give his criticisms of the bill 5876.

Mr. COX. That is what I would like to hear, his concrete proposition.

Mr. GURNEY. Mr. Chairman, if you will allow me to sort of get at the thing in a roundabout way, I will recall to your attention the point that I was about to mention when I was interrupted by these questions, that these deposits which have been accumulated by the banks of the Western States, with or without encouragement or the incentive of benevolence, have reached this point, that there are in Iowa two hundred and thirty-two millions in the state banks, one hundred and forty millions in the national banks—a total of three hundred and seventy-two millions available for the use of the people of Iowa. In North Dakota there are thirty millions in the state banks, twenty-eight millions in the national banks—a total of fifty-eight millions.

Mr. SMALL. Deposits, you are referring to?

Mr. GURNEY. Yes, sir. In South Dakota there are forty-seven millions in the state banks, thirty-one millions in the national banks—a total of seventy-eight millions. In Minnesota there is a total of seventy-nine millions in the state banks, one hundred and ninety millions in the national banks—or a grand total of two hundred and sixty-nine millions. The banks have increased in this way, beginning just ten years back. In South Dakota there were 190, now 507; in Minnesota there were 216, now 903; five times practically. In North Dakota there were 111, now 596; six times. In Iowa there were 551, and now 1,231; two and one-half times.

Taking up the thought that I wish to present here from this point—remembering now that of these millions of dollars—as an instance, in Iowa, 370—about 35 to 40 per cent represents savings deposits in the form of certificates or in savings departments, and that the certificate bearing interest is the predominant feature of western—and I think possibly of southern, in the agricultural States—at least western banking. If I might, I would like to call to your attention this fact, that is to me quite significant, that I discovered in my investigation of this certificate of deposit proposition, namely, that the volume of deposits bearing interest does not have any appreciable relation to the rate of interest paid. I have seen that all along the line. In the twenty years I have been banking in Nebraska rates have gone down all the time, and I have seen timorous bankers cut the rate paid from 5 to 4, and 4 to 3, and each time fearful that it would cause a great slump in their deposits, but, as a matter of fact, that slump has never occurred, and I have seen places where on one side of the street a bank is paying 3 per cent, and on the other side the bank is paying 5, and the 3 per cent bank is getting the most money. The only explanation I can get out of it is that there is a subconscious thought that the bank that is paying the most interest needs the money the most, and is therefore a poor risk for the depositor. The rate governs with wheat, cotton, and that kind of commodities, but with money the rate is a secondary matter and security is the first matter always. Security is the thing, and you can test it very readily. If any of you men want to come out and start banks we will welcome you, but you just let a little bit of a rumor be afloat as to your solvency, and you will see how many people with eleven months' certificates, or five months, will come in and forfeit the interest and get the principal.

Mr. LLOYD. Then, are we to conclude from your statement that the existing institutions in Nebraska are now sufficiently numerous in kind and variety to attract all the money and to put it into circulation and into the channels of business without any additional instrumentalities, or without the aid of postal savings?

Mr. GURNEY. Most emphatically, sir, with one exception. They are competent to do all these things if the Post-Office Department will keep its hands off and not hamper their operations.

Mr. LLOYD. But are they doing it? Are they attracting all the money?

Mr. GURNEY. I thing so, without any qualification whatever. Taking up this argument from the standpoint I have reached, that security is the fundamental thing in the securing of deposits, then I take up the thought——

Mr. MURDOCK. Just there, that is the factor paramount in the mind of the depositor?

Mr. GURNEY. Yes, sir; and I think it ought to be. Now, you come out and you put a government window reaching out for money in every town in our State, and here is what you have. Over here the

bank pays 3 per cent; over here the post-office pays 2 per cent. That is the only advantage, the advantage of rates, which I have indicated to you is of minor moment. Over here the bank takes this money for a specific term, usually four months or six months. We are not like banks in cities that can lend on call. We are lending money to farmers and home owners and ranchmen and cattlemen, and we can not make them pay it back in a day, and, therefore, we must safeguard ourselves with some time money. The Government says, "We will pay you back instanter." Over here we bankers put up only a relative degree of security; we are relatively safe. Over here the Government is absolutely safe. I hate to admit it, in a sense, but while my bank—I do not believe that I hate to admit that—is as sound and as solvent as a cannon ball, even then it is not so strong as the Government of the United States, because the Government of the United States involves within itself the power of taxation and assessment over all property, over myself included.

Mr. MURDOCK. Including your bank?

Mr. GURNEY. Including my bank; yes.

Mr. SMALL. Are you not giving the argument for postal depositories now, in that security is the primary thing in the mind of the depositor?

Mr. MURDOCK. Undoubtedly.

Mr. SMALL. And that the postal depository paying 2 per cent would attract the deposit as against the bank upon the other side paying 3 per cent, and would not only attract some of the money that now goes into the banks, but also attract some of the money which is not now deposited in any banking institution, and thereby put it into circulation?

The CHAIRMAN. Just one moment. Let me suggest that it was generally agreed that we should let Mr. Gurney complete his statement before we interrupted him. Possibly Mr. Small's point is well taken, but I think Mr. Gurney ought to complete his statement.

Mr. FINLEY. Mr. Chairman, a house must be erected before it can be torn down.

Mr. MURDOCK. I wish, if the question is to be put at this time, the stenographer would repeat it to the witness, because the latter phrase is something that I want to hear answered.

Mr. COX. I think the witness ought to go on.

Mr. LLOYD. Let him go on and complete his statement.

Mr. SMALL. I want to say, in answer to the chairman's remark, that I understood the witness to be leaving that point.

Mr. GURNEY. The member of the committee has taken me up on the proposition that the absolute security of the Government would attract deposits, and has stated that upon that hook largely does he hang the merit of the postal savings bank, and I admit that; but I want to call your attention to this fact—no, not a fact—I have no way of stating it is a fact—I want to make this assertion first, that the postal savings bank in operation under such conditions of absolute certainty, and especially in times of panic, would bring in a tremendous amount of money. Your postal department would get worlds of money in Nebraska.

Secondly, that $97 out of every $100 so taken would be taken from existent banks throughout the West, and that very little would come from the mythical stocking or the old stovepipe, or

anything of that kind; but it would mostly come from men who have something and are already depositors in banks. And, third, if it did operate in this way, to attract some tens, or fifties, or hundred millions of deposits in their State, whatever amount you may estimate, that to that extent it would cripple the ability of each local bank to take care of the business interests of its local community, the farmers, the home owners, and stock growers, and all the men who make the community worth while. That is the iniquitous feature of a competition of this kind.

Now, let me follow along and take up, then, the next thought that will occur in your minds. You say, "What are we going to do with this money? What will happen to it if the Government takes forty millions of money in five years in the post-offices in Nebraska; where will that money go?" We are right now up against the one thing, the most crying weakness in this bill, that there is no adequate provision in this bill, and there is no provision in any man's mind, and there never can be for years any adequate provision in any man's mind for taking care of the vast amount of moneys that you will receive under the operation of this law.

There are just two ways now. To make a concrete illustration, let me take the town of Arlington, in my State. The deposits of one of the banks of Arlington are $400,000.

Mr. MURDOCK. What is the population of Arlington? Give us the details.

Mr. GURNEY. About 800.

Mr. MURDOCK. And it has how many banks?

Mr. GURNEY. Two banks, one state and one national, and the state bank's deposits are $400,000 and the national bank's deposits are about $150,000. Let us suppose that the postmaster receives in a current month $10,000 on deposit. There are just two methods of disposition of that fund; first, to send it to reserve centers, to the Treasury of the United States, or to some assistant treasurer, to be invested in the securities of the Government, and that is what your postal savings bank will ultimately come to, in my judgment. If it does, it seems to me that it is a crying economic error to take money away from Kansas and Nebraska and Colorado and Wyoming and all through the South, where it is the life blood of the industries there, and is making the investors 6 or 8 or 10 or larger percentages upon their several investments in all these industries, and to bring it to invest in 2 per cent bonds when a waiting world is anxious for those bonds. If, on the other hand, you take the other thing, which has been injected into this bill, and without which this bill notoriously never could be passed, and that is this, that the money is to be redeposited in the local banks; now, the postmaster takes $10,000 and he goes to the state bank at Arlington and deposits $10,000, and to your minds the community is entirely undisturbed. There are a few features of that which I would like to call to your attention.

In the first place, the deposit of $10,000 in that form is not as good a deposit as it was before it was drawn out of the bank. For instance, suppose you were starting a bank and I would come along and deposit $10,000 with you. You would be glad to take it. But it is not a very good deposit. It is something like a drink of whisky; it is all right when a man is tired or weary or worn, but bread and meat are more staying propositions. So it is my $10,000 deposit is

worth something to you, but it is not so very desirable. But when you have gone to work and gotten 50 people all around your community who are always going to live there to put in $200 a piece to make up that $10,000 then you have something that will stay by you. So the $10,000 which has come back to the Arlington Bank in the form of a deposit by the Government is not as good a deposit as it was in the first place. And, again, you can not take up a bush down here, pull it up out of the ground by the roots, and carry it over here and set it out without some shock. It will not grow rapidly. You can not draw the original $10,000 out of the bank at Arlington without that bank calling some of its customers to pay it back, because they have it loaned. They say, "Here, Jones, you come in here and pay that note. Money is going out pretty rapidly these days," and the mere fact that that money has finally swung around and come back does not abate for a moment the inconvenience that has been caused by its displacement. A displacement in the time of panic, when banks are struggling very hard to fulfill the needs of their requirements, is often serious; it is serious on the community.

But again let us suppose that the Government deposits there. It must have security. It is inconceivable to think that this Government of ours could go out and deposit money without security—and let me say to you, while I do not know that I have a right to turn prophet, that in time if you have 24,000 depositories you will run into a condition of absurdity under the Government; you will have to change that if this bill is enacted and its provisions go through; it just simply can not stand.

Mr. MURDOCK. Explain why.

Mr. GURNEY. I would rather not do that. I would rather leave it on the ground of an assertion, that it is really an absurdity for the Government to maintain deposit banking relations with 24,000 different institutions, operating under different laws and by different men, and all that sort of business. I think really it would run into chaos.

Mr. FINLEY. Would it interrupt you to ask you a question?

Mr. GURNEY. No; go ahead.

Mr. FINLEY. Do you know of any country that has a postal-banking system that does not treat the deposits in the way of a common fund and really invest it in its own securities; in other words, do you know of any country that goes out and seeks investments outside of its own securities?

Mr. GURNEY. I have read a good deal about postal savings. I do not want to pose as an absolute authority, but my impression from my general reading is that there is no country on earth operating a postal-savings bank which invests its funds in other than its own securities, and that no country has ever tried the deposit system of leaving the money in scattered banks.

Mr. FINLEY. Or going out and seeking investments——

Mr. GURNEY. For the sake of putting it back again. But taking up the thread of my argument at that point, the Government must have security; what kind of security will it have? Two kinds. First, an indemnity bond, and I believe this bill so provides; second, a deposit of collateral securities. The indemnity bond is a very unsatisfactory proposition. To begin with, you charge us one-half of 1 per cent; that is, the indemnity bond will charge the company that much of a premium for writing his bond, which is a great big hole in the profits to begin with, and must ultimately be borne by the consumer, or the people, as you choose to call it.

In the second place, the bond companies will write banks only for moderate amounts, as they should, indeed, limit their lines. And it is a rule of all depository bond companies never to exceed the capital of a bank, and a great majority of the banks in my State only have a capital of $10,000, and they would reach the limit of their bonds right there.

In the next place, if you will permit me to give a little personal experience. In the fall of 1907 my bank had a deposit of state funds secured by bonds issued by the National Surety Company of New York, and you all have a vivid recollection of the severities of that panic. It so happened that we had paid back the treasurer and did not want his money, but the National Surety Company wrote to my bank and to every other bank in the State of Nebraska stating that they had decided that the risk of writing depository bonds was too great, and they could thank us to cancel the bonds. We would be in great shape, would we not, to be hung up with a deposit guaranteed by a private corporation which corporation would, in the very moment when we needed it most, get cold feet, if you understand what that expression means down here——

Mr. MURDOCK. They do. [Laughter.]

Mr. GURNEY. And quit us cold. Let us take up the other end. This is one of the most salient features of our objection to it. Then suppose we deposit securities of all these banks. Can the Postmaster-General go out in Kansas or Nebraska and go to any particular town, as, for instance, Ponca City, and say, "Give us some securities," to the banker at Ponca City, "Send us Jim Jones's mortgage on his cattle in the feed lot, and Henry Brown's mortgage on his farm, and the village miller's note that he has put up for wheat to grind, or the live-stock dealer?" No. You and every other postmaster would say, "Go away. We do not know you. We can not monkey with that class of business. Send us some securities that are worth while."

Understanding that, what do we, as bankers, at Ponca City or elsewhere, do? We must, in the meantime, send our money to eastern centers, and buy bonds that will stand the Postmaster-General's inspection. That is all.

Let me go back just a little——

Mr. STAFFORD. Do you intend to leave that phase of the subject now?

Mr. GURNEY. I was going to come back to it.

Mr. STAFFORD. What objection have you to the Government prescribing a certain character of security, just as the Massachusetts law prescribes the character of investment for savings deposits to be accepted as security for the savings funds?

Mr. GURNEY. Let me say, first—and I will come to that in just a moment—there was one phase of the subject that I nearly forgot, and that is a phase which you may not all think about. It would be more patent to men who are every day working in banking lines, but the postmaster comes into my bank to-day with a deposit of $10,000. What am I going to do with that money? It has always been alleged

that that would be keeping the money at home, but he has to-day swelled my deposits by $10,000. My safe has in it all the money I need; it has in it all the money that my burglary bond protects; all of the money of its capacity, perhaps.

Mr. MURDOCK. Why do you accept the $10,000?

Mr. GURNEY. I have never seen the time when bankers would not accept $10,000 more, and if you would examine our books that night I would tell you what you would find, that I had merely remitted $10,000 more to Chicago or New York, and had it there, so that if it stays in the form of a deposit it increases my balances in the reserve centers, and not at home.

Mr. HAMER. Right on that point, if you did not accept that deposit your competitor in the same town would accept it, would he not?

Mr. GURNEY. I would, to begin with. [Laughter.]

Mr. HAMER. You would have to do it as a matter of self-preservation?

Mr. GURNEY. Yes, sir. I think we would take the money, all right.

Mr. STAFFORD. Are you not in the business for receiving deposits?

Mr. GURNEY. Yes, sir.

Mr. STAFFORD. Then what is the point of your objection?

Mr. FASSETT. It would not stay at home; he would send it to New York.

Mr. STAFFORD. If there was no demand at home, naturally you would remit it, but if there was demand, you would retain it for investment?

Mr. GURNEY. Yes. But now, coming back to your other question, that home investment would never satisfy the Postmaster-General, and he would undoubtedly prescribe rules somewhat similar to those of Massachusetts and New York that you refer to with reference to well-known bonds.

Mr. GARDNER. Let me interrupt you there, even though it may not be exactly in order. You are on the very point that I have been unable to understand from the beginning in this bill. The idea of the amendments put on this bill in the Senate is to keep the money home?

Mr. GURNEY. Yes, sir.

Mr. GARDNER. What I have never been able to understand is this: That if you are obliged to put up security for that money when it comes out of the post-office, and to do that you have to send, say, $20,000 to New York to buy government bonds——

Mr. GURNEY. Or railroad securities.

Mr. GARDNER (continuing). Or to the State of New Jersey or Massachusetts to buy state bonds, then you receive the $20,000 from the post-office in your town and deliver that bond.

Mr. GURNEY. Yes, sir.

Mr. GARDNER. Now, have you kept one dollar more at home than if the money had gone away in the first place? The deposit has not gone away, but the money has gone away to buy the bond, its exact equivalent.

Mr. GURNEY. That is what I want to know, how you can call it keeping the money at home, when I have to send it away.

Mr. MURDOCK. Wherein does that differ from the present proposition of keeping government money on deposit in Arlington or Ponca, and sending United States government bonds down here to secure it?

Mr. STAFFORD. Is it not the practice of banks in the Middle West to purchase with their surplus funds municipal and railroad bonds as a means of investment?

Mr. GURNEY. May I answer you this: It is sometimes the practice, and a very desirable practice, when they do it voluntarily; they do it voluntarily when they have supplied the needs of their home people; but this bill will compel the bankers throughout the West to do this involuntarily, and to make these investments abroad whether they will or not, to the detriment of their own people.

Mr. HAMER. And will it not further compel you to accept the rate of interest prescribed by the Government in relation to the security they demand?

Mr. GURNEY. Certainly.

Mr. HAMER. Instead of permitting you to invest your money at a rate of interest that you think desirable for your bank as a business institution?

Mr. GURNEY. If the Government prescribes a certain class of securities as being available, that would have a tendency to lower the rate on those same securities, because it would restrict the number of purchasers.

Mr. MURDOCK. And raise the value of its securities, of course?

Mr. GURNEY. That is just the same.

Mr. STAFFORD. But it is nevertheless optional on your part at all times for you to accept these extra deposits, and you are free to reject them and pursue the business as you wish? All the Government is doing in insisting on a certain return for the amount deposited is that they prescribe the minimum rate, which is less than that which is being paid the country over for savings deposits.

Mr. GURNEY. The way I would answer that, sir, is this, that under present existing conditions we are practically free. We get the money, just as all other institutions do, in the open market, under the law of supply and demand, bolstered up by our own credit and character. That money is left with us, and the transaction is between us and the depositor. Our very interest is to get him the highest rate possible, and to loan it in the most remunerative market. Under this condition you propose to offer such attractive rates as to draw vast sums away from us, and then you would redeposit it in these banks, under restrictions that are onerous, burdensome, and expensive, and will make the operation of the law exceedingly expensive to the general public.

Mr. STAFFORD. Do I understand that you do not believe that it is a proper governmental function for the State to prescribe the character of the security which savings funds shall be invested in, but that the bankers shall be given freedom to invest those funds as they see fit, without any security for savings deposits?

Mr. GURNEY. Most emphatically I do not want you to understand that. I am a hearty believer in the restriction and regulation of banking institutions.

Mr. STAFFORD. Then, wherein does the regulation prescribing the character of deposits in which these savings funds shall be invested differ from the provision in Massachusetts and Wisconsin and other States, which says, as to savings funds, that they shall be invested in a certain described character of security?

Mr. GURNEY. I believe in that restriction you mention; I think it ought to be in every State.

Mr. STAFFORD. I asked, wherein is the difference between this provision and that which prescribes as to the savings funds?

Mr. GURNEY. Because it compels me, in order to get back the deposits I have lost, to invest in a class of securities which, however desirable, I may not have needed, and my community did not need. I needed that money for better purposes at home.

Mr. STAFFORD. So we say similar to those States where they prescribe the character of the securities, such as Massachusetts, New York, Wisconsin, and other States, that we will safeguard the interests of the savings depositors in other States by prescribing the character of securities. Wherein does that differ from the regulations in the States that safeguard the interests of savings depositors?

Mr. GURNEY. I beg your pardon; I do not believe that is in the bill.

Mr. STAFFORD. It is not in the bill, but it is upon the assumption that we do prescribe a certain character of securities to be deposited by the banks for the savings funds that are deposited by the postmasters.

Mr. GURNEY. Mr. Chairman, I certainly feel guilty for using up so much of your time, and I have only done so because of these questions that have been propounded. But I just want one moment more.

One gentleman asked me for some criticisms of this bill. I will name just two or three. The first is this: That it starts out in the opening paragraph and creates a board of trustees, but it reads plainly between the lines that the cooperation of the other members of the board will be perfunctory, and in section 11 it reads this way:

And the Postmaster-General is—

Not "the board are," but—

The Postmaster-General is authorized to require postmasters and other postal officers and employees to transact, in connection with their other duties, such postal savings depository business as may be necessary; and he is also authorized to make, and with the approval of the board of trustees, to promulgate, and from time to time to modify or revoke, such rules and regulations not in conflict with law as he may deem necessary to carry the provisions of this act into effect.

I ask no discussion on that, because we will keep our individual opinions at the close; it will not make any difference, but, in my judgment, you are treading on dangerous ground in thus centralizing the control of such vast sums as will be derived. It says next:

That the sum of one hundred thousand dollars is hereby appropriated, out of any money in the Treasury not otherwise appropriated, or so much thereof as may be necessary, to enable the Postmaster-General and the board of trustees to establish a system of postal savings depositories.

This is really absurd when you remember that we have between forty and fifty thousand post-offices in the United States, and to equip them ready to do a banking business—and a banking business requires some little measure of skill and reliability and knowledge of the business; it takes some appliances of safety and so on—you are going to appropriate $2 apiece in these post-offices of the United States to equip them as depositories of public moneys.

Then, in the next place, this bill says that after paying the depositors 2 per cent out of the 2½ which we will derive, and paying the

postmaster a commission of one-fourth of 1 per cent, that out of the other one-fourth of 1 per cent the profits shall be covered into the General Treasury. Pardon me for what appears to be ridicule, but it shows that the men who have drafted this measure have no comprehension of the expense involved in doing business. Do you know that one-fourth of 1 per cent of a thousand dollars—the handling of a thousand dollars for a year with all that it involves—is $2.50? One per cent of a thousand dollars is $10, and a quarter of that is $2.50. There never will be any profits to turn into the General Treasury, but you will have a succeeding deficit.

Mr. MURDOCK. In the Post-Office Department?

Mr. GURNEY. In the Post-Office Department, of course. And, finally, this bill provides that the moneys so deposited shall be entered upon a pass book which shall be given to the holder. Let me just cite two instances. We had a man come in a month ago, a fellow in town, with a pass book in which was entered a deposit of $100, not on our books. We had a racket with him. We are satisfied he stole it, but we swallowed our grief. In another bank I was interested in some years ago we discovered the dishonesty of one of our own employees, but it was two or three years before we discovered the thief. He was balancing a pass book, and he took the man's book and put the money in his pocket. How are you going to audit the accounts in 40,000 departments with books you do not see in five years, with entries made in them by incompetent clerks in post-offices? How do you know; how can you comprehend the tangle you will get in, when those books come in and there is a scrap in this office?

Mr. STAFFORD. In that connection may I cite the successful operation of the postal savings banks in Canada, where they have no difficulty in that particular?

The CHAIRMAN. Before you answer that, let me suggest that in Canada the pass book is sent with the deposit to Ottawa and the entry is made with the central government. The postmaster does not make it.

Mr. STAFFORD. Just there I wish to take exception to the statement made by the chairman of the committee, because with deposits, as I understand the system upon inquiry of the deputy postmaster-general and the supervisor of savings banks in Canada, the bank book is not sent to Ottawa with each deposit.

Mr. MURDOCK. Why could you not defraud Ottawa as well as the original post-office?

Mr. GURNEY. Let me, in answer, Mr. Chairman——

Mr. GARDNER. Right there, I think we ought to get that clear. Mr. Murdock interjected something there. The pass book would go to Ottawa—and that is my recollection. The gentleman who was at the head of the postal savings banks in Canada for a long time, retired for age, was before this subcommittee a year ago, and probably knew more about it than could be collected in any whirlwind trip in Canada. The pass book may go to Ottawa, but what application has that to a system here, where the money is not to go to Ottawa, or anywhere else? It is to stay in the community.

Mr. MURDOCK. The point at issue is a false entry in a pass book. If a false entry could be successful as regards a local post-office, why not successful as regards Ottawa?

Mr. GARDNER. Because the postmaster sends the money and the pass book together.

Mr. MURDOCK. Yes; but this was a claim for money which was deposited. Here was a case where a man came up with a bank book with a false deposit entry of a $100 deposit. They admitted it rather than dispute it with him, and gave him his $100.

Mr. GURNEY. About the Canadian system—I am cursorily familiar with it. I go up there occasionally. There is no particular parallel possible between conditions in Canada and ours here. In Canada there is no more fear of the Bank of Montreal or the Canadian Bank of Commerce than there is of the government itself; but in the United States you may let a bank fail to-day in North Carolina or in Florida, or anywhere else, and the farmer in Nebraska reads of it in his daily paper, received by rural mail, to-morrow; and thus are these independent banks of the United States, doing a noble work as they are, susceptible to every danger of this class. The deposits would mount up continually. In Canada they have reached about $50,000,000, and they are not growing particularly. I thank you ever so much for your attention.

The CHAIRMAN. Before you take your seat, I want to ask you some questions.

Mr. GURNEY. Yes, sir.

The CHAIRMAN. What is your judgment as to the Government going into business, generally speaking?

Mr. GURNEY. I am most emphatically opposed to it. I have not a shred of socialism about my whole make-up. I vote the Republican ticket, but I am a Democrat, from a Jeffersonian standpoint. I do not believe this Government under any conditions should go into general business.

The CHAIRMAN. Of course you realize the fact that the American Bankers Association, which is appearing here in opposition to postal saving banks, would be charged with acting from selfish motives. Now, is your personal opposition to encouraging this system because you think it would be injurious to the banks or because you think it is fundamentally wrong?

Mr. GURNEY. First, let me say that we are in a measure selfish, but it is enlightened selfishness, we hope; and that that which injures us, since we are a part and parcel of the community, injures the community in a precisely equal measure. Now, as to the other feature of your question, we believe that we are good American citizens, and we believe we can see good in anything even if it might encroach upon our own interests; and so far as my own feelings are concerned, or from my observation, the feelings of those who have worked with us, we are just as patriotic and as unselfish as any other class of people can possibly be. We believe that the enactment of this law is inimical to the interests of the people at large.

The CHAIRMAN. Presuming that the committee is to report a bill providing for postal savings banks, do you think that the rate of interest which will be paid on deposits will make any particular difference in the volume of deposits that will be received?

Mr. GURNEY. Not materially; and yet, of course, where the question of credit passes out of the case, as, for instance, when the Government receives a deposit, then the credit element disappears; then, of course, 4 per cent will attract more money than 3 per cent and 3 per cent more than 2 per cent and 2 per cent more than 1 per cent. In my judgment, if you want to do anything, if you ever want to invade this field and receive deposits, you are doing enough for the American people, you are doing enough for the depositor, if you take this money and keep it safely without paying any interest on it.

The CHAIRMAN. Are you in favor of guaranteeing bank deposits?

Mr. GURNEY. No, sir; and yet, if you will permit me, I will say that I have never been so radical an opponent as some men have been. I have realized the need, and the right to justice, of the American people demanding more perfect security and safeguard for their deposits; but I would acquire that by strengthening each link by the most rigid supervision rather than by diffusing and spreading the damage; equalizing—that is the word I wanted—rather than by equalizing it over a great many.

Mr. FINLEY. Which would be the least objectionable, the postal savings-bank bill or a law to guarantee bank deposits?

Mr. GURNEY. We do not want either.

Mr. FINLEY. I asked you which would be the least objectionable.

Mr. GURNEY. Oh, I think from the standpoint of the Government that the postal savings bank is objectionable from many standpoints, but one in particular, being that it is the first step of the Government into the commercial field—a species of socialism.

The CHAIRMAN. Now, to go further. Assuming that we report a bill, I want to ask you about what should be done with the deposits. There is but one real primary reason for establishing postal savings banks, and that is that the people require better and safer facilities for depositing their money than are now furnished by the banks. All these after considerations as to where the money shall be deposited and the methods of doing business are simply side issues. Considering the objection made that this system might mean taking the moneys away from the communities where they are deposited, what would you say to investing the moneys deposited in postal savings banks in Nebraska in Nebraska state bonds, if the State has bonds outstanding, or in county bonds, under certain restrictions, or in municipal bonds, under similar limitations?

Mr. GURNEY. Well, sir, of course that would mitigate the evil to that extent.

The CHAIRMAN. Do you not think it is, on the whole, bad general business for the Government or anybody else to collect a large amount of money and make itself responsible for it by depositing it around in banks?

Mr. GURNEY. Yes, I do. It looks absurd to me.

The CHAIRMAN. Assuming that that were done, and we, in the course of time, had deposited two or three hundred millions in the banks of the country, do you not think that a movement would be likely to be made by those who made the deposits to have the rate of interest increased, and that it might be increased unreasonably as the result of congressional action?

Mr. GURNEY. There is no question in my mind of the clamor that would go up from the beneficiaries for an increased rate.

The CHAIRMAN. What answer could you make to a depositor in Nebraska who was getting 2 per cent in a postal savings bank, when he said that the depositors in mutual savings banks in Massachusetts were getting 4 per cent?

Mr. GURNEY. Well, he would sure say it. [Laughter.]

The CHAIRMAN. Assuming that there is this large amount of money lying in the banks, what would be your comment on this proposition—that somebody would procure the introduction of a bill in Congress for some development purpose which would seem to be of some value, to provide for the appropriation it would be claimed that the postal savings banks deposits were available, that they were not doing anybody any particular good except the bankers, so why not take the people's money and spend it for the benefit of the people?

Mr. FINLEY. For the development of a public purpose?

The CHAIRMAN. Yes, I am talking about a public purpose.

Mr. GURNEY. Let me answer in this way. John R. Walsh is in the penitentiary down at Leavenworth, and his crime was taking money that was deposited with him and constructing a railroad with it. That states, in a few words, what he did, and the Government sent him to the penitentiary; and yet this proposal, which will inevitably come up, is that the United States Government will by enactment of law do the very identical thing that they sent Walsh to the penitentiary for. We will take those deposits which we have promised to pay on demand, instanter, any minute, and build canals and irrigation projects and conduct various schemes of public improvement.

Mr. HAMER. Hold on, there; do not touch those irrigation projects.

Mr. SMITH, of California. There is a proposition which is being pressed on Congress very forcibly indeed at the present time, to go into a project that will call for $750,000,000 to buy the Appalachian Mountains.

Mr. MURDOCK. To buy the mountains?

Mr. FINLEY. And the White Mountains.

The CHAIRMAN. Let me finish my line of questions. Have you money enough in the Nebraska banks to properly supply the business needs of Nebraska?

Mr. GURNEY. We have reached a point where we have just about enough. In the summer time we send away and get eastern paper now, largely, and in the winter time we rediscount. We borrow from the East, but we have nearly reached that stage of equilibrium where we take care of ourselves.

The CHAIRMAN. You stated that if the Government deposited with you $10,000 some night, what you would do with it would be to send it to a money center; that that was probably what you would do with it?

Mr. GURNEY. Yes.

The CHAIRMAN. You would send it to Chicago or New York?

Mr. GURNEY. Yes.

The CHAIRMAN. Is not that where surplus money would go at any time?

Mr. GURNEY. Yes, sir. I was not decrying that policy. That is as natural as it is for the water of a river to flow to the sea.

The CHAIRMAN. Yes. Now, assuming that this money is deposited by the Government in the banks of Nebraska, and they have more money than they need, it is not going to be specially beneficial to the people of Nebraska because that money is deposited there. It is going where the best use can be made of it, is it not?

Mr. GURNEY. That is the only reasonable solution that I can see, that it should be sent where there is the utmost use for it.

The CHAIRMAN. And when you need money in Nebraska you rediscount something you have with an eastern bank?

Mr. GURNEY. Yes.

The CHAIRMAN. In other words, money is apt to find its level wherever it is deposited? It would not make a particle of difference on the whole whether that money was all deposited in New York and Chicago or in Fremont, Nebr., would it?

Mr. GURNEY. No, sir; not looking at it from a broad standpoint.

Mr. FINLEY. Is there anything in this bill, No. 5876, as it has passed the Senate to prevent any administration—I mean a national administration, of course—from prescribing such rules and regulations as would inevitably result in taking the greater part of the deposits in postal savings banks out of small communities and out of counties and largely out of States, and finally centering those deposits in other States and in money centers like New York, Chicago, and Philadelphia? Is there anything that would prevent that?

Mr. GURNEY. Well, sir, you ought to know better than I do; but my impression is, distinctly, that any succeeding Congress can pass any kind of legislation.

Mr. FINLEY. I am speaking of the bill as it is before us, as it passed the Senate.

Mr. GURNEY. The bill as it has passed the Senate provides for the local deposit of those funds.

Mr. FINLEY. And what is to prevent their being redeposited somewhere else?

Mr. GURNEY. Nothing. They will be so deposited. As the chairman has said, it is just like water seeking its own level. At each succeeding session of Congress there will be bills introduced for the disposition of this money, so that it will always render the retention of it locally impossible.

Mr. FINLEY. In the administration of the law, what is to prevent that being done under this bill? That is my question.

Mr. GURNEY. Oh, yes. Well, I would say that this bill attempts something in the way of pinning down the money in the local town. With all due respect for Congress and for the President, neither Congress nor the President can contravene the natural law of supply and demand that regulates the money market.

Mr. FINLEY. I understand that, but the Executive, in the administration of the law, will prescribe rules and regulations.

Mr. GURNEY. Yes.

Mr. FINLEY. In that event, if they prescribed stocks and bonds that were listed——

Mr. GURNEY. Yes.

Mr. FINLEY (continuing). Or that were covered by certain designations as to standing and stability, and so on, would or would not your small towns in Nebraska have that class of securities to offer?

Mr. GURNEY. They would not have that class of securities, and to all intents and purposes they would be shut out of the benefits contemplated in one of the sections of this bill except as some bond company might step in and put up the deposit.

Mr. FINLEY. I asked you that question in regard to the provision of the bill, which I regard as nominal, for retaining the deposit in the

community where it is made. I ask you if there is anything in the bill as it is before us that would prevent the redeposit of the funds elsewhere, in the administration of the law, or that would prevent the prescribing of rules and regulations for your small towns that to a large extent the small towns of Nebraska could not come up to?

Mr. GURNEY. I think that is not only possible but probable, that the requirements adopted by the Post-Office Department would be such as to compel the redeposit of funds elsewhere.

Mr. MURDOCK. You have taken Arlington, Nebr., as a typical town of 500 people, with two banks, and you have stated that if the postal savings-bank institution was adopted by the Government, $10,000 deposited in the post-office at Arlington would come out of the local banks. I do not agree with you in that, at all. I think that the postal savings bank would develop money that is not now in banks; and along that line I want to ask you these questions. I do not know whether you can answer them exactly, or not. If you can answer them, even approximately, I wish you would.

What proportion of the population of a town like Arlington are depositors in banks?

Mr. GURNEY. Let me say, first, that I selected the town of Arlington because the name began with the letter A, and not that I thought it was a fair sample. It is in a very rich country, and I have gone out and clerked farm sales among the people outside of Arlington, and taken in $3,000, and not taken in enough cash to pay the auctioneer. They regard the banks there very highly, and everybody deposits. A very large per cent of the people there deposit in the banks. Now, I could name some other towns where that is not true. For instance, take Ponca, where the First National Bank broke up and paid 3 cents on the dollar. There a very much smaller percentage of the people deposit in banks.

Mr. MURDOCK. Do you think 75 per cent of the population are depositors?

Mr. GURNEY. Do you mean 75 per cent of the total population—men, women, and children?

Mr. MURDOCK. Yes.

Mr. GURNEY. That would be a pretty high percentage.

Mr. MURDOCK. You do not think it would be that much? I just wanted to get an approximate idea.

Mr. GURNEY. I would say that 75 per cent of all the adult males would be depositors.

Mr. MURDOCK. What percentage of the population of the average Nebraska town, like Arlington, are borrowers from the banks?

Mr. GURNEY. That is an awfully hard question to answer. I do not know. The more enterprising a town is, it seems like the freer people are to borrow. I would say, though, that the percentage of borrowers is less than the percentage of depositors by quite a bit, everywhere. That is only a wild guess.

Mr. LLOYD. Are there any considerable number of the people in Nebraska who want a postal savings-bank law?

Mr. GURNEY. Well, now, you will pardon me for making a statement which I do not intend to sound harshly, but my honest opinion is that the only people of Nebraska who want a postal savings-bank law are the people who have been sort of curried to it through the idea of political necessity. I mean that it is a good talking point. I have never seen a man in Nebraska yet who said, "I want a postal savings-bank law for myself." I have seen men who desire postal savings banks for the benefit of their neighbors, but never did I see a single human being in Nebraska or elsewhere who said, "It would accommodate my desires and my convenience if we could only have a postal savings bank."

Mr. LLOYD. Is there not a considerable per cent of your people who, if asked the question whether they were favorable to a postal savings bank, would say "Yes?"

Mr. GURNEY. Yes, sir. Frankly, I would say that I suppose three-quarters of all the people of Nebraska would unthinkingly say, "It sounds pretty good." They would say, "It sounds all right." They do not realize what it is.

Mr. LLOYD. You do not mean to convey to this committee the impression that the people of Nebraska are favorable to it?

Mr. GURNEY. Yes; in this sense; that they have never deeply studied the matter, and their impressions are only of the vaguest general nature.

Mr. LLOYD. Only 25 per cent, you think, of the people in Nebraska oppose it?

Mr. GURNEY. Well, there is no considerable per cent of people in Nebraska that are in favor of it nor that are opposed to it, or that care two whoops what you do, except that if you asked them they would say, "Oh, I guess it is all right. It sounds pretty good to me," and so forth.

Mr. GARDNER. Not for their own use?

Mr. GURNEY. I never saw a man who wanted it for his own use, except the postmasters. It would come in handy to them.

Mr. DODDS. Going back to the $10,000 deposit in your bank: You say if that money was left with you in that way you would send it to one of the banks in the larger cities?

Mr. GURNEY. Naturally; because I have not the facilities to take care of it at home.

Mr. DODDS. That money would be sent there and would stand to your credit with that bank?

Mr. GURNEY. Yes.

Mr. DODDS. And if you happened to want to use it the next day it would be at your command?

Mr. GURNEY. Yes.

Mr. DODDS. Now, other things remaining the same, that money deposited with you and sent to the city bank would be substantially on deposit in your bank, would it not?

Mr. GURNEY. Oh, yes. I think your point is very good.

Mr. DODDS. Your money would be right with you all the time, just the same as if it stayed in your hands all the time?

Mr. GURNEY. Yes; except this: Suppose you are a state banker in your town and I am a national bank, and you are loaned up close and some of your customers draw out $10,000 that you need sorely to take care of your trade, and they bring it to me and I am already pretty well hooked up for money, and I have got it in New York, but that does not help you out to-day.

Mr. DODDS. It does affect the banks relatively?

Mr. GURNEY. Yes.

Mr. DODDS. But the result to the community would be the same?

Mr. GURNEY. Yes; the result to the community would be the same. It would be subject to check.

Mr. SMALL. You stated that the tendency of money was to go where the demand for it existed?

Mr. GURNEY. I think that is universally true.

Mr. SMALL. On the same theory, as you illustrated, that water would seek its level. Now, did you mean for us to draw the inference from that, that in your opinion there was no necessity, in a postal savings-bank bill, to include any provision whereby the money should be primarily deposited in local banks, and that the same purpose would be subserved by omitting any provision of that kind and leaving it to the discretion of the National Government?

Mr. GURNEY. Will you let me reply in this way, that as a banker, if I were looking out for the selfish interests of all my banker friends throughout the United States, I would most certainly ask that you let the present provision stand, providing for the deposit of moneys locally, on the theory that half a loaf to them is better than no bread? If you ask me as a student of monetary affairs, then I say it is rather ridiculous to be trying to corral your money and keep it locally, and that the only sensible thing for the Government of the United States to do would be to do just like they do in Canada, send the money on to head centers and to invest in the bonds of the Government itself. That would be my judgment of it.

Mr. SMALL. Assuming, as a monetary proposition, that last to be correct, and that the money would eventually go where the demand exists, and that if the money were deposited in some governmental center or financial center, it would go out to meet the demands throughout various parts of the country, would there not be a certain degree of expense entailed in the original deposit at this center, and then getting it back into the localities, so that the expense and the inconvenience to the localities would be increased before the money actually got into circulation again?

Mr. GURNEY. I think so. I think the expense and the inconvenience of that, which you speak of, has never been really adequately comprehended by the ordinary student of the matter; that whether you attempt to deposit the moneys locally or whether you make investments in the money centers nevertheless the intrusion of this method will cause the transfer of funds back and forth and expense and inconvenience to the public and to the borrowers which will be very great, indeed.

Mr. SMALL. And unless there should exist a reciprocal demand, so as to avoid the necessity of the transportation of the actual currency itself, that would be an additional expense?

Mr. GURNEY. Yes. Mr. Chairman, before you take your recess, and because I might forget it, I just want to clear up one little point. The gentleman here asked me how large a proportion of the people of Nebraska would be favorable to the postal savings bank. I wanted to illustrate it. I went last year to the meeting of the State Association of Commercial Clubs of Nebraska, and some gentleman got up and introduced a resolution indorsing postal savings banks, and the chairman said "All in favor, say 'Aye,'" and the whole house was going to vote unanimously in favor of it until I got up and told them I would like to state my objections, and when I got through they voted the other way. Now, I am not putting that as any illustration of my prowess, but of the thoughtlessness of many people. They think it is a good thing.

The CHAIRMAN. Let me put Mr. Lloyd's question in another way. Supposing you opposed postal savings banks and you and another man, equally well posted, made a canvass in Nebraska, spoke in every village and every town, so that the people would be thoroughly informed on the subject; assuming that to have been done and then the vote taken, how many people do you think would be in favor of and how many opposed to postal savings banks?

Mr. GURNEY. Let me say that if that canvass were to occur up around Milwaukee avenue, in Chicago, I would be doubtful about the outcome; but if it were to occur in Nebraska I am satisfied that I or any other man who is posted and has given it any thought can whip the other fellow.

Mr. STAFFORD. Why do you except the denizens of Milwaukee avenue?

Mr. GURNEY. Because there are lots of Poles and other foreigners up in that neighborhood who were caught in that bank failure, and of course they are pretty sore.

Mr. STAFFORD. Is not that the strongest argument in favor of the postal savings banks, that it affords security for the savings of the poor persons who can not take the risk of the failure of private banks?

Mr. GURNEY. I believe there are lots of stout, sturdy, and respectable American people who are the bone and sinew of this country, that you ought to consult, too, and I think that instead of trying that method on, you can better the banks we already have. I think the public is entitled to more security.

Mr. DODDS. What per cent of the deposits in banks in this country are lost to the depositors; do you know about what per cent?

Mr. GURNEY. It was figured a year ago, and I had the figures, that for a period of ten years in Nebraska the loss was at the rate of $7.50 per $100,000 per year. We have had very few failures in Nebraska. In the whole United States it is figured at one twenty-sixth of 1 per cent, which is at the rate of about $23 per $100,000.

Mr. DODDS. Over the same period?

Mr. GURNEY. No; I think that was for forty years, ever since the national banks have been in existence. Those figures refer to national banks.

(At 1 o'clock p. m. a recess was taken until 2.30 o'clock p. m.)

AFTER RECESS.

The committee reconvened at 2.30 o'clock p. m., Hon. John W. Weeks (chairman) presiding.

Mr. TETER. Mr. Chairman, we will introduce next Mr. William R. Creer, of the Cleveland Savings and Loan Company, of Cleveland, Ohio, president of the savings bank section of the American Bankers' Association. He will speak to you particularly in reference to that part of this question that deals with the foreign situation at home and abroad.

STATEMENT OF MR. WILLIAM R. CREER, OF CLEVELAND, OHIO.

Mr. CREER. Mr. Chairman, if I may be permitted, I would like to say a few words on something that has been brought up by inquiries, before confining myself to that point which I particularly wish to bring to your attention. These points were brought out by questions of members of the committee this morning. In the first place, ex-Postmaster-General von Meyer, in the compilation of statistics regarding the savings of the United States, has seen fit to confine himself to those institutions organized under the New York and Massachusetts laws, commonly known as trustee or mutually savings banks. The savings-bank section of the American Bankers' Association during the past two years have made rigid inquiry in the various States, of the banking commissioner where such a banking commissioner existed, and of the auditor of state or the secretary of state where there was no banking department, with a view to ascertaining what the existing savings-bank laws were in the State, and what the trend of public opinion was; and it was interesting to the members of that committee from Massachusetts and Connecticut to find not only that there were not any mutual savings banks in the western and southern parts of the United States, but that there were no laws providing for those, and that there was a definite public sentiment against them for that reason, the feeling being prevalent that interested beneficence was much more safe to the general depositor than disinterested benevolence; in other words, that a capitalized savings bank where the stockholders had something at stake was more conducive to the interests of the depositors than a board of trustees who had no financial interest, either in the way of investment or compensation. So much for that question.

The statement of Mr. von Meyer to the last Congress was to the effect that the rate of interest suggested by the Government would be competitive with savings banks already existing. I wish to call your attention to a peculiar situation in the State of Ohio. Unlike those in New England and New York, savings deposits are not exempt from taxation in the State of Ohio. In the city in which I reside our tax rate is 3.32 this year on an appraisal of about 60 per cent, and that is the basis upon which bank stocks, moneys, and deposits are placed. If you will figure 60 per cent on a deposit of $2,000, and figure the tax on that at the rate of 3.32, you will find that you have got 2 per cent or a little better. The prevailing rate there is 4 per cent. If a man is sufficiently honest to return his deposits in a savings bank for taxation he would get just as much net if it were deposited with the Government at 2 per cent as in the local bank at 4 per cent, and that there are men sufficiently honest to return their savings deposits for taxation is probably one reason why the eyes of the country still turn toward Ohio for presidential timber. In the argument of Mr. von Meyer, to which I shall confine myself almost exclusively, he says that the foreigner is in the habit of going to the post-office in his home country to deposit his money, and therefore he looks to the post-office in this country as a depository for his funds, and it would be a convenience, and the money would be brought out of hiding and would be kept from being sent abroad to be deposited in continental postal savings banks or other banks.

There are two classes of foreigners, which we might class as the assimilated foreigner and the unassimilated. We have foreigners who come here to make this their permanent home, to become American citizens, to become a part of this country. We have those here who come here ofttimes in the early spring and return in the late fall, who have no ambition for American citizenship and no thought of permanent homes in this country. Let us turn to the first class for a moment. These speedily take up American ideas and adapt themselves to our institutions. They have deposits in our existing banks and they patronize them, and they not only do that but they organize banks of their own. If you will think for a moment of the Hibernian Banking and Trust Company of New Orleans, the Hibernian Banking Company of Chicago, and the Hibernia Savings Bank of San Francisco, it shows you how our Irish population adapt themselves to American ideas, organize their own banks, and show their enterprise and thrift as well as their clannishness. Names such as the Germania Bank, the German-American Bank, and the National German-American Bank are familiar on signs in a great many of the cities of the United States, and they are not only found in Milwaukee and Minneapolis and St. Paul. The German population needs no paternal government to teach it the lesson of thrift. It is abundantly able to take care of itself in a banking way. The thrift of the Germans is proverbial. All through the Northwest, from the Lakes to the Pacific coast, we find in different towns and cities such banks as the Scandinavian Savings Bank, the Scandinavian Bank, the Swedish-American National Bank, and the Swedish Savings Bank; and our Scandinavian friends are abundantly able to take care of themselves, because they not only patronize the existing banks, but this evidences that they are organizing their own banks, and these banks are organized and capitalized and officered by men of their own nationality.

Allow me to diverge for a moment. The savings of the State of Ohio are largely taken care of by trust companies and savings associations. Savings associations, Mr. Chairman, are in Ohio similar to your cooperative banks in Massachusetts, although they do not have some of the limitations imposed in Massachusetts. In Cleveland we have the Magyar Savings and Loan Company, a Hungarian institution. We have savings, building and loan companies, Bohemian organizations, and we have other German institutions. We have the German-American Savings Bank, and we have one bank whose clientele is very largely made up of Italians. One of these savings institutions has more than a million dollars of deposits, and all of them use their funds exclusively for loaning to their friends and neighbors for the building of homes.

The CHAIRMAN. Are they all incorporated under state law?

Mr. CREER. They are all incorporated under the state law, subject to state inspection. In fact, before our general banking code was enacted these savings societies had been under state supervision, through the insurance department, for twenty years. These beneficent institutions, which produce the finest product that this country has—American homes—have received very little consideration at the hands of the American people or the American Congress. It is as long ago as 1893 since any governmental statistics were given of these institutions, when Mr. Carroll D. Wright was Commissioner of Labor; and yet the savings in this form of institution are infinitely

greater than in the postal department of Great Britain. There are 5,500 of these institutions in the United States. They do not appear even in the figures of your monetary commission. They have 2,000,000 members. They have almost a billion of dollars in savings. These, as I say again, gather the savings of the thrifty, and, having gathered them, reinvest them in the community in which the savings are made, and the result is the finest product of this republic, American homes.

Mr. LLOYD. Where do you get your statistics for making that statement?

Mr. CREER. From the statistics of the National League of Building and Loan Associations. These associations are known as savings associations in some parts of the United States. In Massachusetts they are known as cooperative banks. In the south they are known as homestead associations.

We come now to consider the second class of the foreigners. You will understand that the conditions in this country are infinitely different from those in continental Europe. There are almost no facilities in private banks or savings institutions in some of those countries for the reception of savings. Take Italy, for instance. There are only a little more savings in all the other institutions in that country than there are in the postal savings banks, and the postal savings banks have a little over $200,000,000. Congress supposedly enacts laws for the benefit of the citizens of the United States and not for the benefit of the citizens of other countries. As I said before, many of this second-mentioned class of foreigners come here in the spring and return again in the fall, taking their money with them. Mr. von Meyer was concerned about the large amount of money sent abroad by postal orders. A careful analysis of the postal savings banks abroad and the amount transmitted through the post-office will show you that it is only a comparatively small amount that can find its way into the continental postal savings banks. Take, for instance, the year 1908. We are told that in that year $20,000,000 worth of money orders were purchased in this country to be sent to Austria-Hungary. In the postal bank of Italy there was in the same year an increase of about $12,000,000. As the interest credited to the accounts in the post-office for that year amounted to $8,000,000, there was a net increase in deposits, as you will see, of but four millions, or 20 per cent of the amount of post-office orders purchased here for transmission to Italy, and I think it is safe to assume that part of the Italians who stay at home make some of the deposits in the post-office banks in their own country. Sixteen million dollars were sent to Austria-Hungary. The increase in the deposits in postal savings banks for that year was $4,000,000. Apply the same analysis, deduct the interest from the increase, and you can readily see that but a small proportion of the money sent abroad found its way into the postal savings banks of that country. Let us look at this thing sensibly for a moment. We, gentlemen, are acquainted with the average immigrant who comes here; and how does he come? He comes in the steerage to this country. Sometimes he is unmarried; sometimes he is married; sometimes he has had the money advanced to him by friends and relatives at home to pay even his passage money that brought him here, and he of necessity repays that debt. If a man has left a

family at home, there is only one place where his money ought to go, and that is back for the support of that family. And is not this, after all, the reason, the principal reason, for a considerable amount, the large majority, of the postal money orders that are sent to continental countries?

The CHAIRMAN. How would you explain the reason for taking out postal money orders in cases where the money is not transferred?

Mr. CREER. That is another case altogether. That is simply using the post-office as a bank. In that connection, if I may be allowed to offer a suggestion, I think the most excellent way that the post-office could serve those who are timorous or ignorant would be to issue to them what might be termed post-office scrip that would bear no interest and would be issued to them without expense, instead of their having to pay the ordinary fee for money orders as they do now.

Now, in the division of the subject as we hope to present it to you, without duplication, that was the part assigned to me; and what we need, gentlemen, is to Americanize our immigrants, not to Italianize our Post-Office Department. If a need ever existed for postal banks in this country to teach thrift or to care for the money of the people, in my estimation that time has gone by. For eighty years this Government has gotten along without any government banking. There are only 45 mutual savings banks west of Buffalo, and the winning of the West, financially, has been accomplished by the splendid local independent banks. The American Bankers' Association through its savings section is striving constantly to improve the service and to give greater security. The passage of this postal savings bill will be the greatest blow that will ever come in this country to the development of the savings idea along the lines laid down by our general banks in the West, such as our savings associations, trust companies, and state banks that do a banking business. Why? Because we have been striving to get the savings deposits segregated in any and every institution where savings deposits were held, and those deposits not only segregated, but the investment of those funds carefully conserved in investments that time and experience have proven the most suitable. In the State of Michigan—which, by the way, Mr. von Meyer does not credit with a savings institution or a dollar of savings, in his statement—this law has already been in force, and instead of there being no savings there there are one hundred and fifty millions of savings, and where a bank is doing a commercial business and a savings business the account is separate and the investment is separate. This is also true of New Hampshire and of Texas, and it is true of California, under the new law passed there. Already this winter the law committee of the American Bankers' Association have had three meetings to try and work out some standard provisions and to try to get their enactment in all the States of the Union. Now, what is proposed in this bill?

Mr. STAFFORD. In how many States are there legislative provisions requiring the separation and segregation of savings funds from current funds and the regulation of the investment of those savings funds in a prescribed character of security?

Mr. CREER. In eight States.

Mr. STAFFORD. Eight States in all?

Mr. CREER. Yes.

Mr. STAFFORD. What States are those?

Mr. CREER. I do not know that I can recall all of them, but among them are Michigan, New Hampshire, Texas, and California; and I think your State, Wisconsin, has such a provision.

Mr. STAFFORD. Wisconsin adequately protects the investment of savings funds.

Mr. CREER. Yes. I can not recall the others at the present time.

Mr. STAFFORD. How recently have those States passed those regulations about savings deposits?

Mr. CREER. I think the California law was enacted two or three years since, and the Texas law is more recent than that.

Mr. STAFFORD. They are the two most recent instances?

Mr. CREER. Yes.

Mr. STAFFORD. The others are instances of long standing?

Mr. CREER. No, sir; the Michigan law is a new law. The New Hampshire law is older.

Mr. STAFFORD. Then, other than the Michigan, California, and Texas laws, the others have been on the statute books for a long time?

Mr. CREER. Yes, sir.

Mr. STAFFORD. In what particular, in the States mentioned, do they require the separation of the savings funds in state banks, to be invested in designated securities?

Mr. CREER. The securities are designated in each of those States. The laws are based largely upon the Massachusetts and New York laws, but there are some differences. For instance, it would be impossible or impracticable, in my estimation, to make the same law for Massachusetts and for Louisiana. And, again, it would be impracticable to have the same law for Louisiana as for Michigan. Let me cite, for instance, a popular form of investment along the Great Lakes. The steel boats that are built there cost anywhere from $300,000 to $400,000, and they are usually bonded for one-half of their cost, and those bonds pay 4½ or 5 per cent, and they are a very popular and profitable investment. Now, the law of Michigan provides that as one of the investments for their savings banks, while Massachusetts would probably not regard that, on account of the distance.

Mr. STAFFORD. Why is it impracticable for Louisiana, for example, to safeguard the savings investments of their people who deposit in banks any more than it is for Massachusetts?

Mr. CREER. I did not say that it was impracticable for Louisiana.

Mr. STAFFORD. Then I misunderstood you. I beg your pardon.

Mr. CREER. But the point I make is this: The best security in the State of Louisiana is probably paper secured by cotton in warehouses.

Mr. STAFFORD. Oh, I recognize, as all of us do, that the character of the security varies according to the location.

Mr. CREER. What I mean is that the character of the security in each State is carefully defined, but the securities differ somewhat on account of the local conditions.

Mr. STAFFORD. Is there any reason, because of the economic development of agricultural States, such as either of the Dakotas or Wyoming and States in that territory and States in the South, which makes it inexpedient for the state legislators to prescribe the character of the investment of savings funds or the segregation of savings funds from current funds for secure investment?

Mr. CREER. No, sir; but it is toward that point that we are working, to have that very thing brought about.

Mr. STAFFORD. Why is it, then, that North and South Dakota and all the other States where this question has been up for years have not required such separation and safeguarded the savings depositor?

Mr. CREER. You will remember, sir, that North and South Dakota have probably not attained to that degree of settlement and government at the present day which Massachusetts had reached when she started her savings banks, nearly one hundred years ago. They are a developing and growing community, a sparsely settled community. They have no large communities in those States, no gray heads and high brows that can sit down on the boards of savings banks without compensation. They are all hustlers. But there is no reason why they should not have that law. I believe the Massachusetts law prescribes that up to 70 per cent of such funds can be invested in first mortgages.

The CHAIRMAN. Sixty or 65 per cent, I think.

Mr. CREER. Sixty or 65 per cent of the total deposits of savings banks may be invested in first mortgages on real estate.

Mr. STAFFORD. That is in Massachusetts?

Mr. CREER. In Massachusetts; and that would be applicable in Dakota or in the South.

Mr. STAFFORD. Do you not recognize the great economic difference between conditions existing in Dakota and those in Massachusetts and other older communities?

Mr. CREER. Certainly.

Mr. STAFFORD. That makes it against the interest of local bankers to separate their savings funds from their current funds, because there is such a demand for money for local investment, which is not present in the well-settled communities?

Mr. CREER. Yes; but in the statement I have just cited is the loan that is made in the Dakotas—a real estate loan. And yet up to 65 or 70 per cent can be invested in Massachusetts, and there is no reason why that should not be segregated for savings deposits. They are mortgage investments.

Mr. STAFFORD. But they have not been segregated?

Mr. CREER. No, they have not been segregated.

Mr. STAFFORD. And there has not been any adequate protection thrown around the savings deposits of those people in those States?

Mr. CREER. Are we not expecting too much from those new States to expect the same kind of banks and the same kind of laws that prevail and obtain in New England?

Mr. STAFFORD. I am not saying that they should have the same, but I am saying that the cause of the lack of such protection may be an argument and a reason why the National Government, having the instrumentalities at hand, should extend to the people of those States the protection that is lacking by reason of local conditions and want of local regulations.

Mr. CREER. The point I was making, sir, when you interrupted me, was this: That the action of this bill is exactly contrary to the purpose and intent of the segregation of deposits. Why? Because, instead of segregating those deposits and safeguarding them by con-

servative investment, what do you do? You take the savings of the people that pass through the post-office and put them into the commercial banks. Of course you take the security, but there is a limit even to indemnity security. You are making commercial deposits out of savings deposits; you are making demand commercial deposits of them.

The CHAIRMAN. Does it seem to you that there is something incongruous in a government depositing money in a commercial bank and requiring an indemnity bond from a company organized under the law of some State to protect itself?

Mr. CREER. It certainly does. But then, as I say, it is very much like a title guarantee company organized in the city of Boston with two or three billion dollars of capital, that is willing to go out and guarantee titles in all Suffolk County.

To come back again to the statement, I say if there ever existed a need for postal savings banks, it seems to me that economic need is past. In the past ten years the number of banks in the United States has doubled.

Mr. STAFFORD. Have you any statistics as to the increase of savings banks during the period you mentioned?

Mr. CREER. There is no such thing as providing statistics of savings banks, because when I talk of savings banks I talk about one thing, and when Mr. von Meyer talks about savings banks he talks about another entirely different thing. He says there are only 1,415 of them in the United States, and yet the monetary commission says there are 18,000 that do a savings-bank business, and I am satisfied that there are more than 22,000 open doors in the United States for the reception of savings deposits, when we take into consideration the savings associations.

Mr. STAFFORD. In those 22,000 there are many included that have no regulations for the investment of savings funds?

Mr. CREER. No; those that I am speaking of now all have regulation of savings funds, and they are purely savings institutions and do no commercial business.

Mr. STAFFORD. Take, for instance, the savings branches connected with our national banks which are found in our large cities; in Milwaukee, with which I am more acquainted, and in the other interior cities. There is no legislative mandate requiring the investment of those funds in any character of security. They may be intermingled with the current funds at the direction of the directors or the managing board of the bank.

Mr. CREER. And yet the Government purposes to deposit the savings from the postal depositories in those banks?

Mr. STAFFORD. Yes; and perhaps the Government may require a certain character of security for the investment of those savings funds.

Mr. CREER. The banking resources of the United States to-day are 25 per cent greater than the combined banking resources of the world were in 1890. That shows with what leaps and bounds the United States is growing financially. The savings institutions of one kind and another have conserved the savings of the people, and the losses have been infinitesimal. In the main we have the confidence and good will of the populace; and the passage of this postal savings-bank bill would simply be an invitation to trouble. Last

week I stood and looked at a line of 1,500 people trying to get their money out of one institution, one of the safest institutions in the United States, a mutual savings bank of sixty years' standing, and with fifty millions of deposits, and as I went down that line, hoping that I might send somebody out of the cutting wind to their home with a word of assurance, what did I see? Just two elements dominating—ignorance and fear. Now, gentlemen, the intelligent savings-bank depositor is taken care of, and he is not going to take 2 per cent from the Government when he can get 4 per cent from his local bank; and you are going to take care of the timorous and the foreigner. A good many savings banks would like to turn over some of their clientele to you. But the United States Government, as big and as strong as it is, can not overcome the two elements of fear and ignorance; and if there is ever any crisis, such as is provided for in this bill, in the judgment of the President, instead of having one door open as that institution had—and it had on deposit an amount equal to one-half of the working balance of the United States Treasury Department—you will have forty thousand doors open, and it will not be an incident to some locality which you will face, but it will be a condition country wide, and it will bring on the greatest panic and the largest degree of financial chaos that this country has ever witnessed, if that ever comes to pass. God grant that it does not!

Mr. FINLEY. If it be assumed that this bill in its present form might or would result in the deposits, or a greater part of the deposits, in the postal savings banks being centered in certain localities, would not that then tend to promote speculation in those communities?

Mr. CREER. That is very obvious.

Mr. FINLEY. Is it not true that conditions like that were what brought on the panic of 1837?

Mr. CREER. We all know that when call money is at a very low rate in New York the largest amount of speculation goes on at that time, other things being equal, because it costs less to carry the risk.

Mr. LLOYD. Is it not true—do you not think it is true—that something ought to be done to make it so that the individual would know that his money, deposited somewhere, wherever it is deposited, is safe? You are speaking of the fear of these individuals. Would it not be a proper thing that something should be done to remove that fear?

Mr. CREER. No; because that fear is, in the majority of cases, coupled with the other element of ignorance. Let me cite a case. Of the 80,000 depositors in that institution I guarantee you, sir, there are 20,000 who you would find, if they told what they really thought, thought their money was taken and shoveled into the vaults of that institution and kept there until it was withdrawn. If they thought it was loaned for any purpose under Heaven, they could not sleep nights.

A lady came to a bank and deposited $200 in gold. She says, "Now, I can get this money any time, can I?" "Yes." "And I can get my money?" "Why, certainly," the teller said, to allay her fears. The time went on and she came back and she says, "I want my money; and you remember I deposited it in gold." "Yes. Just sign this receipt." They handed out the money, and she took it and looked it over very carefully and then she says, "You are a lot of grafters and swindlers here. I marked one of those $20 gold

pieces just to try you." Now, the average savings-bank depositor does not analyze statements. He is not acquainted with the terms of finance.

Mr. DODDS. If this law were passed the operation of that same fear would be against the Government just as it is now against banks?

Mr. CREER. Yes; because panic is not a logical matter; it is a psychological matter.

Mr. LLOYD. Do you really mean to tell this committee that you think that if money was deposited in the postal savings banks, if a panic came they would try to draw their money out of the postal savings banks?

Mr. CREER. Yes; they would want to see the color of their money, whether the postal savings banks had it or any bank in the United States.

Now, just imagine, for instance, there was an impending war, and the yellow press and the sand-hill orator came out and told the people "This money you have deposited in the postal savings banks, it is provided that in an emergency the President can draw that money and put it in bonds, and they are going to take your money to fight this war with." Why, they would follow each other just like sheep. You know if you have got a good old bell wether that will go through a hole in the fence, the rest of the flock will follow as sure as fate.

Mr. STAFFORD. Do you mean to say that you think, in view of the fact that during the panicky conditions of 1907 when the people through ignorance and fear, as you say, withdrew their funds from national banks and state banks and deposited them in money orders that that character of depositors would withdraw the funds under the same conditions, if they were deposited in postal savings banks?

Mr. CREER. Not those same conditions. I cited another condition.

Mr. STAFFORD. Oh, yes; you can imagine vagaries and the like; but consider the ordinary business panic and the conditions attendant thereon. Do you think under those conditions there would be the same inclination for the ordinary depositors, who you say are tempted through ignorance and fear to withdraw their funds, to do the same if they were deposited in postal savings banks?

Mr. CREER. I honestly believe it.

Mr. STAFFORD. That was not the case in the last panic when they withdrew their funds from the banks and deposited them in money orders.

Mr. CREER. There was no impending trouble of the Government then. You are taking the exactly opposite conditions. The case I cited as happening in our city last week is just illustrative of this point. If there was one bank in the city of Cleveland that had gained the confidence of its citizens and its clientele, it was the Society for Savings. It had been established for sixty-five years. It had met every demand upon it at all times. It is the oldest bank in the city. It had fifty millions of deposits. And yet no other bank was disturbed in the city, be it ever so small or ever so young.

Mr. LLOYD. But there is this very marked difference between the case you give and the imaginary case: In this case you had simply this bank, and in the other instance you would have the United States Government, which is supposed to be all-powerful and to have every resource.

Mr. CREER. This was our all-powerful bank in Cleveland, this bank that had the run.

Mr. LLOYD. Of course, a bank is dependent on its own stockholders and its own clients.

Mr. CREER. This bank had no stockholders. It is a mutual bank.

Mr. STAFFORD. What was the origin of the run on that Cleveland bank?

Mr. CREER. Nobody has been able to discover it.

Mr. STAFFORD. It was of the same character, then, as the runs on other banks which have taken place in the history of the country?

Mr. CREER. You can never tell. In the city of Erie a few years ago a man fainted on the steps of a bank, and a crowd gathered about him to pick him up and take him into a drug store and care for him, and somebody said "There is a crowd up in front of that bank. I guess there is a run." And that started a run. The Society for Savings had a run once before. A drunken sailor at the end of his season came and deposited all of his money with the exception of a few dollars. Then he proceeded to get himself good and drunk, and the next day he came up there drunk and demanded his money, and they said "Come back again when you are sober, and we will give it to you." That started the run.

Mr. STAFFORD. Do you think these conditions are applicable to the case of postal savings banks?

Mr. CREER. I am simply citing these things to you to show you that a panic is not a logical consequence; that it is a psychological effect, and when fear gets hold of people, sense and reason are gone. As I say, when you get 100 people in front of a bank, you are going to get 1,000, if they know of it.

Mr. STAFFORD. Do you know of runs occurring on banks in foreign countries where there are postal savings depositories? Can you cite an instance in any of those countries where there have been runs on deposits in postal savings institutions?

Mr. CREER. No, but I can cite an instance——

Mr. GARDNER, of New Jersey. If there were any, would you not find them in the police records where the men were clubbed away?

Mr. STAFFORD. Are you acquainted with any instance where the government officials have intervened to prevent funds from being withdrawn from postal savings banks?

Mr. CREER. No. I am aware of what the British consul did in 1889 at the time of the Boer war.

Mr. GARDNER, of New Jersey. Has it not been true that our panics in this country have uniformly accompanied, or been accompanied by a shortage in federal revenue; or if you have never thought about that you can pass on, and what is your opinion of a condition, such as that in 1893, when it is known to all the country that the income of the Government is insufficient to pay its running expenses, and at the same time there is financial depression all over the country—a panic? What the relation of the two things to each other is does not matter, but suppose it is known that the Government is receiving less revenue than is required to meet its expenditures and that to meet the exigency it is about to issue bonds and offer them to the public for sale. What effect, in your judgment, would a condition like that have upon the minds of that class of people who will utilize the postal savings-bank system?

Mr. CREER. The kind of panic that I was talking about was not that of the financial crises such as this country has undergone. I was simply talking about the same kind of a panic that takes place in a theatre when somebody yells "Fire." That is the kind of panic that makes a run on a bank. They do not stop to analyze conditions, sir; they do not stop to inquire whether the revenue of the Government is sufficient to meet its requirements or not; they are simply scared, and they do the only thing that seems to them right to do under the circumstances.

Mr. GARDNER, of New Jersey. What I am trying to get at would involve just that element, in that class of the public that would use the postal savings banks. I repeat, suppose the conditions are such that it is a known fact that the revenues of the Government are not meeting the expenses, and that the Government is about to borrow money to pay its daily bills. There is a panic in the country and banks are failing. What, in your judgment, at a time like that, will that class do who are depositors in the postal savings banks?

Mr. CREER. I think that condition, worked up under skillful and unprincipled hands, or minds, could produce a panic in the minds of the people who will patronize your postal savings banks. Now, understand me, I am not intimating that people of intelligence will not use the postal savings bank, that the thrifty will not use the postal savings bank; but the argument that has been made for the postal savings bank was that it was going to be a school of thrift. Millions of people already have learned the lesson of thrift in this country, as is evidenced by the fact that 1 in 16 of our inhabitants has a savings account. Now, the thrifty, the discerning, those who are capable of analyzing a bank statement, will take the safe, solvent bank that pays them 3, 3½, and 4 per cent every time in preference to the United States bank; and you will have what? You will have these people that are miserly—that is a psychological phenomenon—who are timorous, who do not trust themselves or anybody else. Those are the people that go off on a tangent at the slightest excuse. And you will have the foreigner who does not understand our ways or means and does not speak our language; and if the boss says "The Government is ruined, and it hasn't got money to pay its bills, and you had better look out for the money in your postal savings," you are just as liable to have a panic, that panic which is caused by fear, which means the loss of all reason and logic, and which will operate against your post-office banks in the United States as it does against the present banks of the United States; and that is something that is worth seriously considering.

Mr. LLOYD. You are considering a concrete case. What do you say about the case of this man: In a town in the community in which I lived several years ago was a widow lady who had everything she had invested in a farm, and she sold that farm for $7,000 cash. She did the business through a certain lawyer who was one of the principal stockholders of a certain bank. She deposited that $7,000 in that bank. A week from that time the bank failed and she lost her money. It happened as a matter of fact that the man in whose bank she had deposited the $7,000 had, within two hours after the time he had permitted her to deposit the $7,000, or had deposited it for her, drawn out $10,000 because he had learned that the bank was

in a failing condition. There is a hardship on somebody that needs in some way to be remedied.

Mr. CREER. May I ask what State you are from?

Mr. LLOYD. I am from Missouri.

Mr. CREER. Possibly that is why you are so insistent on this point.

Mr. STAFFORD. Well, coming from Wisconsin, I can cite a similar instance.

Mr. LLOYD. You could not make any reflection on the banking laws of Missouri——

Mr. CREER. No, sir.

Mr. LLOYD (continuing). Because no State in the United States has better banking laws than Missouri.

Mr. CREER. Unless it is Ohio. That is unfortunate; and the man that does that sort of thing, Mr. Lloyd—we, all of us, have only one opinion of. In the State of New York they have almost a billion and a half of savings. Last year there was paid to the savings depositors in the State of New York $50,000,000 in interest; yet the losses to depositors in the State of New York in savings banks have been less than a million dollars; they have been $878,000.

Mr. STAFFORD. Have you any figures on the losses to savings depositors in those States where they do not protect the savings deposits?

Mr. CREER. In the savings societies of Ohio we have not had a loss for years.

Mr. STAFFORD. Do you protect savings depositors?

Mr. CREER. We have a law that covers all the banks, which was enacted four years ago.

Mr. STAFFORD. Have you any statistics to show the losses of savings deposits in those States where there is no protection thrown about those deposits in the way of prescribing the character of the investments for the savings funds?

Mr. CREER. I have no statistics at hand to bear on that point.

The CHAIRMAN. What is your experience as to the popular demand for postal savings banks?

Mr. CREER. I never discovered it.

The CHAIRMAN. Has anybody who deposits in your bank ever suggested the desirability of a postal savings bank?

Mr. CREER. No, sir.

The CHAIRMAN. How many depositors are there in your bank?

Mr. CREER. About 2,000.

The CHAIRMAN. How much are your aggregate deposits?

Mr. CREER. A million dollars.

The CHAIRMAN. Assuming that you are opposed to the establishment of postal savings banks, but that it may be determined that it is wise to report some kind of a bill, what have you got to say about the way money shall be invested which is collected in this way?

Mr. CREER. Mr. Chairman, understand me in the first place, that I am very much in the position of the Irishman who was approached at Castle Garden and asked what his politics were within an hour and a half after he had landed from the old country. He said: "I don't know the name of your parties here, but I am agin the Government." Now, I am against the postal savings-bank bill first, last, and all the time. I think there is no need for it, and I think there is

no popular demand for it. It originated in a third house, where legislation should not originate, and I think it will be the cause of infinite worry and trouble in this country. Now will you kindly repeat your question, so that I may answer it?

Mr. STAFFORD. When you say "a third house" you do not refer to the executive branch of the Government?

Mr. CREER. No, sir; I refer to a political convention.

The CHAIRMAN. Now, to get down to my question, what do you say about the investment of this money—what disposition should be made of it?

Mr. CREER. I will agree with my friend from Wisconsin that the best security possible should be gotten for the money of the people.

The CHAIRMAN. We will all agree to that; but would you agree that the money should be invested permanently, or that it should be deposited in banks, and if deposited in banks that it should be limited to deposits in national banks, or what would be your suggestion?

Mr. CREER. No, sir; I think that is uneconomic, and I think the provision of the law is very largely a farce. Take it in the city of Cleveland with its large number of banks, and it is the same with the city of Boston; this provides that its deposits shall be divided up among the state and national banks.

The CHAIRMAN. Would you deposit the money in the state banks and trust companies?

Mr. CREER. If it is going to be deposited; if you get the kind of security that you want, why not deposit it in any bank? But I think the scheme is uneconomic and cumbersome and troublesome.

The CHAIRMAN. Then would you permanently invest the money?

Mr. CREER. I would.

The CHAIRMAN. In what?

Mr. CREER. In my opinion, if it comes to that, if the bill passes and there is investment sought for the money, I would invest it in bonds of the municipalities and school districts in the States in which the money originates, in proportion to the deposits from those States.

The CHAIRMAN. Would you limit the investment to those public funds? Would you not extend it to county or state bonds or government bonds?

Mr. CREER. In a great many of the States, you know, they have no bonds. Many of the States have no debt. I am speaking of that class of bonds which are most in evidence and are most in demand. We are having school bonds and municipal bonds right straight along.

Mr. GARDNER, of New Jersey. The Government will be a guarantor of any bond in which the Government invests its money, will it not?

Mr. CREER. I do not follow you, sir, in that statement.

Mr. GARDNER, of New Jersey. Well, if the Government takes $1,000 of postal funds and buys a $1,000 bond with that money, the Government is guarantor of that bond?

Mr. CREER. The Government is a guarantor on postal deposits, no matter where the money is invested.

Mr. GARDNER, of New Jersey. What is the difference in principle between the Government guaranteeing a municipal issue of bonds because it buys one and its guaranteeing the deposit in the first place on some well-devised scheme?

Mr. CREER. Such an intricate division as that I will not attempt to make.

The CHAIRMAN. Are you in favor, under ordinary conditions, of the Government going into business?

Mr. CREER. No, sir; I think this Government was founded on the broad idea of the largest possible freedom for its citizens, and I am opposed, as a patriotic citizen, to the Government going into any business that its citizens can prosecute; and I do not think that when the post-office and post-roads was written in as a function of the Post-Office Department those men who framed that had any more idea that a banking bill would be attached to the Post-Office Department than that we would have an automobile factory established under that department, and they never heard of automobiles then.

The CHAIRMAN. Suppose the Government permanently invests this money; do you or do you not think there should be a reserve kept?

Mr. CREER. There certainly should be a sufficient reserve to meet the ordinary activities of the withdrawal and deposit of funds.

The CHAIRMAN. What would you consider a sufficient reserve?

Mr. CREER. On the basis of savings banks, I should think a 10 per cent reserve would be sufficient. You understand, of course, that your Massachusetts banks usually do not keep as much as that; but I think under a condition of this kind there should be a greater reserve.

The CHAIRMAN. Where would you keep the reserve, in the Treasury or in banks in reserve cities?

Mr. CREER. I do not know as that would make a great deal of difference. It would be almost imperative that the Treasury Department should keep it nearer distributed somewhat that too large a degree of delay might not be experienced in the withdrawal of funds. It would be cumbersome to have to send across the country to Washington or to either of the subtreasuries from a considerable distance to have sufficient funds on hand to meet withdrawals.

The CHAIRMAN. In any case, whether the money is invested permanently or is deposited in banks, do you think a reserve should be kept?

Mr. CREER. I do.

The CHAIRMAN. Would you keep the same amount of reserve if the money is deposited in banks that you would if it is permanently invested?

Mr. CREER. I think there ought to be a provision for working reserves, about that amount.

The CHAIRMAN. Then you would not consider money in the banks as necessarily available?

Mr. CREER. If your money is all deposited in local banks, that is practically your reserve. That is available in every locality, then.

The CHAIRMAN. What do you think would be the effect on the banks if during a financial panic there should be a sudden demand for $10,000,000 of real money?

Mr. CREER. Well, I think there would be trouble.

The CHAIRMAN. Then had we not better have our reserve somewhere else, if we are going to keep the money on deposit?

Mr. CREER. Yes.

The CHAIRMAN. In other words, there should be a reserve kept?

Mr. CREER. Yes.

The CHAIRMAN. You have heard this sentiment expressed, that the money should be kept in the locality where it is deposited. Do you think it would satisfy that sentiment if it were invested in local bonds?

Mr. CREER. No, sir; I do not think it would, because the local banker wants his share of the money, and that way he would not get it.

The CHAIRMAN. The truth of the matter is that the local banker should not be necessarily an element in the consideration of this legislation?

Mr. CREER. No, sir.

The CHAIRMAN. That is an afterthought?

Mr. CREER. Yes.

The CHAIRMAN. Where do you keep your reserves?

Mr. CREER. In national banks.

The CHAIRMAN. In Cleveland?

Mr. CREER. In Cleveland.

The CHAIRMAN. Where do the Cleveland banks keep their reserves?

Mr. CREER. In New York and Chicago.

The CHAIRMAN. Suppose you collect an unusual amount of money in Cleveland; what is done with it, in the normal course of business?

Mr. CREER. We as a savings institution of course deposit all of our funds with our depositories.

The CHAIRMAN. Do you believe the theory that money seeks its own level in this country under present conditions is correct?

Mr. CREER. No, sir.

The CHAIRMAN. As water would?

Mr. CREER. No, sir.

The CHAIRMAN. What happens when you get overinvested?

Mr. CREER. You are getting 4 per cent on time money in New York to-day, and less on call, while they are paying 8 and 10 per cent in Texas and western Missouri.

The CHAIRMAN. There is a difference in the security, which leads to that result, is there not?

Mr. CREER. There may be a difference in security, but all securities are affected by the local rate, whether you have good security, bad security, or indifferent security. There is just as good security in western Missouri as there is in New York City for money, but that good security can not have the same rate as the other security.

Mr. LLOYD. I do not know what that security is in western Missouri on which they get 8 per cent for money.

Mr. CREER. Missouri bankers tell me they get 8 per cent; that is all I know.

Mr. LLOYD. They may get it, but there is plenty of money to loan in western Missouri at 5 per cent.

The CHAIRMAN. When you get overloaned, what do you do?

Mr. CREER. Overloaned?

The CHAIRMAN. Yes.

Mr. CREER. Our loans are all real estate loans. We do not get overloaned.

Mr. FINLEY. On that question about investing the postal savings funds in municipal bonds, and state bonds where there are any, is it or is it not true, generally speaking, that those bonds, except in large

centers of population and financial centers, are not held locally; so that if the investments were made in those bonds they would, as a general proposition, be purchased elsewhere and paid for elsewhere?

Mr. CREER. Yes, sir; they would.

Mr. FINLEY. Then so far as receiving and paying out the money was concerned, it would not be a local matter at both ends, would it?

Mr. CREER. The only thought that I had in mind in that was this: That a market would be afforded for school bonds and municipal bonds, and that probably thereby the rate to the school districts and municipalities with those banks would not be as great in some cases as it is now.

Mr. FINLEY. You mean the future market?

Mr. CREER. Yes.

Mr. FINLEY. Not one for those that are already floated?

Mr. CREER. No.

Mr. FINLEY. That is, the local market?

Mr. CREER. Yes.

Mr. LLOYD. The trust companies of Missouri and the savings associations of Ohio are now practically the same thing?

Mr. CREER. No, sir; there are trust companies in Ohio, but they do almost every branch of banking, with the single exception of discounting of commercial paper.

Mr. LLOYD. I believe that is true of Missouri.

Mr. CREER. Yes.

Mr. LLOYD. Do they engage in the bonding business?

Mr. CREER. Yes.

Mr. LLOYD. Bonding administrators?

Mr. CREER. Yes; and executors, and registrars, and so forth.

The CHAIRMAN. There is a provision in the Senate bill which we are considering which prohibits investment of postal savings funds in bonds or other securities bearing interest at less than 2¼ per cent. Do you think that is wise?

Mr. CREER. I should think it was low enough, if you are going to make a pretense even of making the business self-supporting, if you are going to get 2¼ per cent for your bonds and you are going to pay one-quarter of 1 per cent to a certain proportion of your postmasters.

The CHAIRMAN. Suppose you believed that that was intended to prevent investments in United States bonds; do you think it would be wise to carry out a provision of that sort?

Mr. CREER. I think it was a mistake to issue 2 per cent United States bonds. This bill should be passed on its merits or defeated on its demerits. It should not be made a political cat's-paw to take governmental chestnuts out of the financial fire.

The CHAIRMAN. I agree with you that 2 per cent is too low a rate of interest.

Mr. CREER. We know that had it not been necessary to have those bonds to be used by national banks to secure circulation, they never could have been sold at any such rate.

Mr. GARDNER, of New Jersey. Under the law, if there be one, by which money like water seeks its level, money is subject to the same limitations as water. There must be a river bed through which it can flow, and there must be established volume. In other words, money seeks its level in the market where there is the greatest demand for it,

only to the extent that money is accumulated and financial relations are established between the points.

Mr. CREER. Yes.

Mr. GARDNER, of New Jersey. And the law applies only within those comparatively narrow limitations?

Mr. CREER. Yes, sir. For instance, real estate loans in one State maybe on a basis of 5 per cent. Right over the line in the next State real estate loans, security equal in every respect, are commanding 6 per cent.

Mr. GARDNER, of New Jersey. Yes, and if a postal savings bank or a government bank of any kind operates to draw off money from the localities to a center in small sums, it tends to lessen the probabilities, if not to destroy the river bed that leads to the establishment of those financial relations by which it can readily flow out and back.

Mr. CREER. It was my purpose to confine myself to just this phase of the subject, which I have tried to cover in a cursory way; but, gentlemen, my one great objection to the postal savings-bank bill is that it is not banking, it is simply accumulating money. It is just as desirable to have money to use as it is to have money saved at all. Let me illustrate. Water is the great life-giving thing for vegetation. Out at the foot of the Rocky Mountains there for centuries that volcanic dust has lain, and all it needed was water to make it into the most fertile fields in the United States, and yet from the tops of those mountains, from time immemorial, the sun striking on those snow-capped peaks has sent down streams and the water has rushed down their sides and found its way to the sea for centuries. The water has been there. The water has gone down and may have helped some one in its passage, but it did not help that locality. Now, that locality was not helped until there was a reservoir there. The reservoir, to that local community, is the local bank. So it is with the community and its supply of money; when you take the money away from it you take the water, the life-giving fluid of commerce and industry.

Mr. GARDNER, of New Jersey. That was the idea I had, though I could not express it so well.

Mr. CREER. Thank you, sir.

Mr. GARDNER, of New Jersey. Suppose the Government, in the beginning, by a constitutional provision, if you please, had made the postal savings bank a part of the system and had established some sort of depositing in Washington here for those funds, so that it had always been the practice, conforming to that system, to deposit the money in a post-office or with some agency, and the money had flowed off to a center here at the capital; and from here, admit that it would have gone to those cities where the use of large sums of money had already been established. Can you imagine the retarding effect that that would have had on the development of the West?

Mr. CREER. I certainly can, sir. Where the West is dotted with thriving towns and cities now there would be nothing but the rolling prairie, because the money would not have been there to develop it.

Mr. GARDNER, of New Jersey. If we had had that system from the beginning it would have been a national blight?

Mr. CREER. Yes, sir.

Mr. FINLEY. Have you any doubt that the ultimate purpose of those behind the postal savings banks is to eventually invest the

postal savings funds in United States bonds—to take up United States securities?

Mr. CREER. It looks very much as though that was the purpose of the powers behind the bill.

Mr. STAFFORD. On what do you base that opinion?

Mr. CREER. Well, that I do not care to elaborate on.

Mr. STAFFORD. But you have made a statement here which it seems to me should have some explanation.

Mr. CREER. Gentlemen of the committee, I have been trying to talk on this subject not as it affects a banker, and not from any political angle whatever, and it is seemingly somewhat evident that it is being passed more as a political expedient than as an economic measure.

Mr. STAFFORD. Have you, in your experience as a banker, ever been connected with a bank that has had safety-deposit vaults?

Mr. CREER. Yes.

Mr. STAFFORD. For how many years were you connected with any such bank?

Mr. CREER. Well, just a few years.

Mr. STAFFORD. Were those years a period when there was at any time a run on the bank or when there was fear among the people as to the security of banks?

Mr. CREER. No; not during the time that I was connected with the bank having safety deposit vaults.

Mr. STAFFORD. Have you any acquaintance with the question of the deposit of currency in safety deposit vaults?

Mr. CREER. Yes.

Mr. STAFFORD. To what extent do you think funds are deposited for safe-keeping in safety deposit vaults?

Mr. CREER. In case of panic, of course, people do very foolish things, and among them is to take money in currency from their credit in the bank and put it into a safe-deposit box.

Mr. STAFFORD. Have you ever heard of money being reposed in safety deposit vaults at a time when there were no panicky conditions existing?

Mr. CREER. Until such time as there were no panicky conditions existing?

Mr. STAFFORD. I will ask the stenographer to read the question.

(The stenographer repeated the question, as follows:)

Mr. STAFFORD. Have you ever heard of money being reposed in safety deposit vaults at a time when there were no panicky conditions existing?

Mr. CREER. No; I can not say that I have.

Mr. STAFFORD. Do you believe there is any amount of currency in hiding in any part of the country?

Mr. CREER. Not any considerable amount.

Mr. STAFFORD. You do not believe that the foreigners are withholding money from deposit in banks because of fear of the security of the banks?

Mr. CREER. There may be a little of that, but as compared with statements that are sometimes made, it is infinitesimal. When we consider the large amount of money necessary every day in the public marts of trade, in our large retail stores all over the country, when we consider that manufacturers and merchants and miners are drawing

currency from banks every calendar day in the year, with the exception of Sundays, for their pay rolls, when we consider that we are a people who carry money on our persons, from the man who carries as little as I do myself to the man who delights in flashing a roll on you as big as your fist, and when we consider that there is only $33.50 in currency to every person in the United States, I think if you found out what that merchant had in his till and that manufacturer had in his safe and that miner had in his pay envelope that day, and the money that was on the person of every individual, and the money that was in the steel banks that by the hundreds of thousands have been scattered, to promote savings, all over the country, if you had an inventory of that at 12 o'clock some day, the currency then not in the banks would be very largely accounted for, and the stories we are told about the stocking, whether it is of silk or lisle or wool, or about the chimney pot, or the hole back of the brick in the basement, would seem very much like farce or comedy.

Mr. LLOYD. Do you think there is any way to ascertain or get any correct idea of the amount of money that is in this actual hiding that you are talking about?

Mr. CREER. Only by the process of elimination. If you could take such an inventory as I have enumerated, and you knew what was in the banks, the rest I think would be accounted for; and if you could make an estimate then of the amount of money that had been destroyed in one way or another, that was never recovered, you would know pretty near how much would be in hiding.

Mr. LLOYD. We have no way of determining how much has been destroyed?

Mr. CREER. No.

Mr. LLOYD. Or how much has been burned up?

Mr. CREER. No.

Mr. LLOYD. Or how much has been lost?

Mr. CREER. No; but I think if anyone will contemplate what I have just said, it will seem evident that there is not any large amount of money—as some have said, hundreds of millions of dollars—in hiding. I think that is a ridiculous statement.

Mr. STAFFORD. You do not know, as a matter of fact, whether it is true or not?

Mr. CREER. No; that is my opinion.

Mr. STAFFORD. There are no statistics by which you could determine it?

Mr. CREER. No; that is a fact that it is hard to get at.

The CHAIRMAN. There could not be any statistics on that subject?

Mr. CREER. No; that is an impossibility.

The CHAIRMAN. Are there any other questions? If not, that is all.

Mr. CREER. I thank you, gentlemen.

ADDITIONAL STATEMENT OF MR. LUCIUS TETER, OF CHICAGO, ILL.

Mr. TETER. Mr. Chairman, the next speaker will represent a different section of the country, and I think before leaving the discussion of the West it would be well for me to reassert our position in this matter. We find an entirely common ground with you gentlemen of the committee who wish these deposits to be safeguarded.

Mr. LLOYD. Mr. Teter, in this connection, I do not think you ought to get an impression from any member of the committee that he has any views at all.

Mr. TETER. I will be very brief, Mr. Chairman, and I wanted to collect together two or three points right here, before you leave this. We are absolutely with those people who want these savings safeguarded. The question is whether we shall have a temporary expedient to possibly care for a few people in those States that have not adequate laws as yet, or whether we will all unite in making laws as they should be. In 33 States, within ten years, the banking laws have been improved. The national banking act has been improved in that time by qualifying charters of $25,000. It has not been very long since the State of Wisconsin passed its segregation act. It has not been quite so long since Michigan passed its segregation act. It is not as long as that since California passed its act. Now, the question is, here after our country is 100 years old are we going to put this temporary expedient on, or are we all going to work together along the evolutionary lines of pushing these reforms in banking. In my own State, Illinois, I regret to say we have no segregation law; but within two years we have passed a very much improved banking act. The next act, I hope, will include a segregation feature. So we are just as sorry as anybody to hear the reports of these losses. The postal savings bank, however, Mr. Chairman, is not going to prevent losses of money like that of the $7,000 that Mr. Lloyd spoke of, if it limits savings deposits to $500. Therefore, in doing the good, let us do the greatest good in making proper regulations of existing banks, and work along the lines of improved legislation.

Mr. STAFFORD. You do not question the authority of the National Government or the propriety of the National Government's action in requiring the segregation of savings funds from current funds when deposited in national banks?

Mr. TETER. I do not.

Mr. STAFFORD. What was the reason that the American Bankers' Association rejected the proposition to favor the segregation of those deposits at its last annual convention?

Mr. TETER. Mr. Chairman, I was not present when the matter was acted upon. It is a question which is young, as yet, in the minds of a large percentage of the banking people. I think I can say without the possibility of criticism that the men who are thinking along the most advanced lines in banking circles are in favor of that; I do not believe that there is a member of the banking fraternity present here who does not favor that; but it is possible that the question was presented in such a way that it was not discussed, as sometimes happens with those things, and went more or less by default. I know that is a sentiment that is growing.

Mr. STAFFORD. Oh, I beg to differ with the gentleman there, when he says it was not discussed. It was considerably discussed, and it was proposed as an alternative to the proposition of postal savings banks.

Mr. TETER. The secretary of the American Bankers' Association is here, and I will let him speak of that later, as he doubtless has the record.

The point remains true that that would be constructive legislation, and we are in favor of it. I may say, Mr. Stafford, the only bank in

your State which has failed in several years past was a national bank. Your state law is ideal; but although a national bank generally shows up very favorably on inspection, the last and only important failure in your State in some time was that of a national bank. I quite agree that those banks should be included and the funds segregated.

Mr. STAFFORD. I quite agree with you on that.

Mr. TETER. Mr. Chairman, in the last year I have traveled between 35,000 and 40,000 miles, principally in the investigation of this question, and I am not going to tell you all the things I found out, but to me, a loyal American, there is much that is hopeful in all of this situation. In these newer States I have visited, South Dakota and North Dakota, I have gone far beyond the railroad terminals in many cases, investigating conditions, and I found their banking laws, more or less primitive in the beginning, requiring $5,000 in the original act and now requiring $10,000, are on the upgrade, and those of us who look upon banking with somewhat professional ideas believe that we are working along the line of an evolutionary upgrade in these matters, and it is simply a question with us whether this side step of temporarily caring for a limited number of people with a limited amount of money shall be made, or whether we shall all work together on the upgrade.

Mr. STAFFORD. Mr. Chairman, are we to understand that Mr. Teter is not going to give us the advantage of the information he has gained in his inspection of these various parts of the country on this subject? If he has any information I think he ought to disclose it, because we want all the information, and the best information, we can get.

The CHAIRMAN. What is the result of your investigations?

Mr. TETER. Mr. Chairman, the results of my investigations are that banking conditions in the West are very much as Mr. Gurney expressed them this morning. I do not quite agree with the theoretical reply that he made, that money always gets to its level. It would, perhaps, if it was let alone; but the fact still remains that in my institution in Chicago to-day we have loans to many banks in the Northwest who are paying us 6 per cent interest for that money and are taking the money out there and loaning it to the people at a higher rate of interest. That speaks more eloquently than I possibly could for the fact that there is not enough money in those newer communities, and that any plan that would take those funds from those communities to another point would injure the development of those communities. That those communities are increasing in strength and importance, both in population and in banking strength, is shown by the statistics which Mr. Gurney gave you this morning, which I shall not burden you by repeating.

The CHAIRMAN. Is it not true that at all times some banks in all sections of the country, in the country districts, are borrowing money of their reserve agents—I do not mean all banks, but some banks?

Mr. TETER. No, Mr. Chairman——

The CHAIRMAN. I have been connected with a national bank at a reserve center for a great many years, and I have never known a time when some of the correspondents of that bank were not borrowing money from it.

Mr. TETER. But, Mr. Chairman, I believe you will agree with me when I say that over that period of years the frontier line of the borrowers has been gradually moving westward. When I first went into a Chicago bank eighteen years ago, there were a number of banks in Illinois and Iowa that borrowed. I say there were a number of them. There are comparatively few of the Illinois and Iowa banks now that come into the market for loans, whereas in the newer sections farther west they are still very considerable borrowers; not so much as they used to be. As I said before, it is an evolutionary situation. As they get older and accumulate more money they become less borrowers from outside. But the rate is higher in the new communities. We could loan money to-day in Texas on cattle at from 10 to 12 per cent, and it is just as safe to the Texas banker as a loan on Wall street collateral is to a Wall street banker.

The CHAIRMAN. We have both of us diverged a little from what we were talking about. Let us get back to the results of your observations.

Mr. TETER. Yes; Mr. Chairman, I was covering the point of the interest rate.

The CHAIRMAN. Yes.

Mr. TETER. I have made inquiries in every section of the country, except on the Pacific coast, with reference to the local demand for postal savings banks. I will have to say at once that a large percentage of my inquiries have been made of bankers, which in your minds may rob this of some of its value. However, I have inquired of a good many other people; but many of my inquiries have been made of bankers. I may say, since they were speaking to a fellow-banker, there would be no particular point in their trying to deceive me; and the interesting thing that develops there is that the demand for postal savings banks, where any exists, seems to be more in the cities, that are well supplied with savings banks, than in the rural districts. I was absolutely unable to find in Kansas or Dakota or Minnesota any demand, or in Alabama or Mississippi any demand, on the part of the people, for postal savings banks.

Mr. LLOYD. Did you travel all over Kansas?

Mr. TETER. Not quite all over.

Mr. LLOYD. The reason I am inquiring about that is that we have a Representative on this committee from Kansas, and he has a different view from what you have; that is, he thinks the sentiments differ from what you have stated.

Mr. TETER. I recall Kansas very definitely, because the visit that I made there was to Wichita at the time of the meeting of the Kansas Bankers' Association. I was known to those men as being interested in this subject, and looking for accurate information, so that I believe what the men told me.

Mr. GARDNER, of New Jersey. How many States did you mention?

Mr. TETER. South Dakota, Iowa, Wisconsin, Alabama, Mississippi, and Maryland; practically every State this side of the Rocky Mountains, including Colorado. These men told me uniformly that they found no local demand for the postal savings bank. I am quite willing to be frank with you, as I have always been, in saying that it has been hard to get those bankers in Kansas and out in that country to believe that there was enough demand for this legislation to pass it, and they were rather inclined to think that there would not be a law of this kind. I think that is a pretty clear explanation of that situation.

Mr. LLOYD. Speaking of Kansas, did you visit the various points in Kansas or did you simply visit this one place where the bankers were all congregated?

Mr. TETER. In that State I only visited the one point, at this time I speak of.

Mr. LLOYD. At that place, did you get your information from the bankers who were present, or did you get it from people who live in Wichita?

Mr. TETER. In that case, from the bankers.

Mr. LLOYD. Then you have no information from Kansas excepting that which you have obtained from the bankers in Kansas?

Mr. TETER. Except that which I obtained from the bankers, in Kansas I have not.

Mr. LLOYD. And you found all the bankers in Kansas against the postal savings-bank system?

Mr. TETER. I can not say all, because I did not talk with all of them, nor did they take a vote on it.

Mr. LLOYD. All that you conferred with were against it?

Mr. TETER. Yes.

Mr. LLOYD. Did you find any sentiment in Kansas—did you hear of any sentiment in Kansas—favorable to the postal savings banks?

Mr. TETER. I did not.

Mr. STAFFORD. Do you claim, seriously, that any portion of the bankers throughout any part of the country are in favor of the establishment of postal-savings depositories?

Mr. TETER. No; I should say not.

Mr. LLOYD. Were you in Missouri?

Mr. TETER. Yes. A large percentage of my information there was gotten from men whom I know.

Mr. LLOYD. They are bankers, also?

Mr. TETER. Most of them.

Mr. LLOYD. Do you find any sentiment in Missouri in favor of postal savings banks?

Mr. TETER. None at all.

Mr. LLOYD. Do you know how the farmers of Missouri feel about it?

Mr. TETER. I do not.

Mr. LLOYD. Do you know how what is known as the laboring element in Missouri would feel about it?

Mr. TETER. I can only answer that in speaking of the laboring element, generally; not as to Missouri. I think that there has been more of a sentiment on the part of the labor organizations in favor of the legislation than on the part of the farmers. I find that.

Mr LLOYD. You find that generally?

Mr. TETER. Yes, I find that. That brings me back to my other point, that the only other sentiment of any particular consequence—and that is very slight—seems to exist among the quasi-laboring organizations in the large cities who seem to feel that the banking interests are allied on the other side of all questions in which they are involved, and they favor the dealing with the Government, as indeed they seem, many of them, to feel that the Government should handle public-service corporations and others.

Mr. STAFFORD. What ground have you for asserting that their position is that because of their attitude toward bankers, and not for some other well-grounded reason?

Mr. TETER. Mr. Chairman, I was asked in this matter only to give my conclusions from my visits in different places, and what I say must be regarded in that same light. There has been a comparatively recent illustration of that point in the city of Philadelphia, if you will recall. This is a little off the point, but you know there has been a very definite attempt to boycott all the banks in the city of Philadelphia because they would not take a hand in settling a strike that is pending there, rather illustrating the point. We find very frequently that for some reason that class of people feel that the banks are against them, when, as a matter of fact, if the banks of any of the large cities were stopped, they would all stop, too.

Mr. GARDNER. Is it not natural that you should be classed, from their standpoint, as belonging to the capitalistic element?

Mr. TETER. I think it dates back to the first murder, when the man who had was attacked by the man who had not.

Mr. STAFFORD. Is it not possible, and highly probable, that the wage-earning class, recognizing the insecurity of the savings deposits in unprotected banks, should desire to have protection of the Government through postal-savings securities?

Mr. TETER. There is not any question about that, but I think it is for us to understand the broad problems of finance better, to point the way that the money must be put back into industrial operations to keep them going.

Mr. STAFFORD. You do not mean to claim that by the establishment of postal savings depositories the money would be withdrawn from the avenues of circulation and investment?

Mr. TETER. I mean very definitely just that, that to the extent that money is withdrawn from the newer States—I ask nothing for the country east of the Mississippi—just to that extent will the development of that country and the welfare of its people be affected.

Mr. STAFFORD. The bill before us does not contain any plan to withdraw the funds from the localities of deposits.

Mr. DODDS. Mr. Teter, going back to the question of your inquiry, would not the bankers, if there were a sentiment in favor of postal savings banks in the communities, be about the last persons to find it out, naturally, unless they went out to make particular inquiry in regard to it themselves? Would not their own business, being in opposition to it, keep them from learning what the people think about it?

Mr. TETER. I think that in many cases that might be true. However, it has been discussed so much in the press that it is a public question, and it is rather natural, I think, for those things to be discussed with the local bankers. I have heard from a good many of them, and have asked them to poll the people who come in. After all is said and done, that is the only way we can get information; and the sentiment, as I have said, runs very lightly in the agricultural States, and even lighter in the South, where every planter knows that his greatest difficulty, and the South's great difficulty, is in getting enough money to do business.

Mr. LLOYD. On the other hand, is not this true, if these bankers get their information from those who come into the bank, they are getting their information from those who patronize the banks, and who have more sympathy with the bank; in other words, they are obtaining their information from the bank itself?

Mr. TETER. I, of course, can not do other than admit that that is a fact. However, we have but to recall the constituency of our various rural communities in the West to recall the fact that a large percentage of all the people in these communities are clients of the banks, and to say (if I may add just a word there which I want to go in my report), these States which are so often mentioned as being so short on savings deposits, those classes of people who would be operatives in New England are agriculturists in Nebraska; in southern Wisconsin dairymen, and so on, and they keep a checking account. That point, I think, was touched upon by Mr. Gurney this morning, and we are trying not to duplicate. But do not forget that you go out on the plains of Kansas or Nebraska or South Dakota, and a large percentage of the settlers are agriculturists, and they keep their money in the form of check accounts, and they are clients of the local banks. I was in the town of Platte, S. Dak., a town 9 years old, where they have three banks, two or three of them operated by Bohemians. It is a large Bohemian settlement, a great and prosperous community.

Mr. STAFFORD. Have you any data as to the percentage or proportion of the farmers in those local communities who do business with the local banks?

Mr. TETER. I have not. I believe that Mr. Gurney gave some information of that sort this morning, which is in the record. Of course, he has more immediate experience with that. My own experience with so-called "country banks" is that a very large percentage of the population around a bank are clients of that bank.

Mr. STAFFORD. I know in Wisconsin, in the agricultural districts, while a number of the farmers have current accounts, that there are a great number who do not avail themselves of the banking privileges, and I would expect this as you go farther west, where the country is more sparsely settled, that the proportion would increase.

Mr. GARDNER. What do they do with the money?

Mr. STAFFORD. Keep it in their stockings, so to speak, or keep it in their bureau drawers. I have had an instance called to my attention of a farmer north of Milwaukee—how true it may be I can not say—where he is withholding thousands of dollars in his private chest because he lacks faith in the banks.

Mr. LLOYD. This bill would not meet his case, or any bill we are likely to pass.

Mr. STAFFORD. It would meet his case up to a certain amount.

A MEMBER. I do not think anyone contemplates a maximum amount in this bill.

Mr. STAFFORD. Of course, that is a matter to be taken up later, as to what the bill will really be.

Mr. TETER. Mr. Chairman, I did not expect to take but a moment's time when I got up, but I am quite willing to answer more questions. I want to call your attention, however, to one thing.

Mr. STAFFORD. Just there, in your travels that you spoke of in prefacing your remarks, which gave rise to the request that you give us the benefit of your observations, have you made a visit to any foreign countries where postal savings banks are in operation, so that you can give us the benefit of the working of the systems in those countries?

Mr. TETER. I have not; I am expecting to start next month. The record of those foreign countries is pretty well before us in print, and,

while diverging from my line of thought, I will say this in that connection, that as yet I have not been able to find any common ground of similarity between the old countries of the continent and our West. The countries are founded on an entirely different theory. Our ancestors were people who came away from those countries to establish a different form of government. They came over where there was lots of land to be occupied, where men who were practically servants, slaves, serfs in the old country, could come here and become property owners. We have been a nation that has developed as a nation of communities, gradually pushing our frontier from the Atlantic to the Pacific, not on account of the banks, but through the cooperation of the banks and the people, the people and the banks working together, and there is no parallel whatever in England in that; there is no parallel in France.

Mr. STAFFORD. Why are not the conditions existing in Canada, in the western part of the Dominion, or any part of Canada, and the conditions existing in Australia, where postal savings depositories are established, parallel to the conditions in the sparsely settled communities of our West?

Mr. TETER. The Canadian illustration is the most nearly like ours, and the point of difference there exists in this, that they have not, I will say, an unstable form of government, or a government that is unsettled often by political changes, and the postal savings bank has run along and has less deposits to-day than it had, I think, five years ago. It has less deposits by one-third than our savings institutions in Chicago.

Mr. STAFFORD. Do you cite the fact that it has less deposits as an argument that the establishment of postal savings depositories will not interfere with the deposits in private institutions?

Mr. TETER. No; I cite that as an illustration of the fact that in a country where money is used locally, and a satisfactory banking system exists, there is not the great need for it that has been claimed.

Mr. GARDNER. Have you ever given attention to this phase of the subject? If you have not, I wish you would when you go abroad. A gentleman who does not desire to come here reached the conclusion in some part of southern Europe that their blight, their curse, was the postal savings system; that the continual drawing of the savings of the people to the throne, as he put it, through the postal savings bank, prevented an accumulation of any funds in any locality by which they could organize any local banking system by which they could do any business, and that if, as he put it to me, the spirit and the enterprise were present to-day in some of the towns of Italy to reform and modernize and improve at home instead of coming here, that their greatest obstacle would be the postal savings-bank system drawing away their money. Have you ever considered that phase of the question?

Mr. TETER. That would seem very logical. As I said a moment ago, I have not been able to investigate it on the spot. I have talked with some Frenchmen who have become Americans, and who do not send their money to the French postal savings bank, and they tell me that the effect of the postal savings bank there has been to limit the number of banks, and that in a large number of communities there are not adequate banking facilities for commercial purposes, because the Government first has taken out of the com-

munity a large percentage of the money there, and did not encourage the establishment of new banks. If you will recall, Mr. Gurney told you this morning that in his State banks were started in towns from 250 up. That does not exist there. The first reserve money going into the postal savings bank, of course, would handicap the future of a new institution. So I am told the hoarders in France, whom we talk so much about, really are merchants who must, because there are no local banks, carry a sufficient stock of money in their safes and in their stores to carry on their business.

Mr. STAFFORD. You have placed in the record a statement that the deposits in the Canadian postal savings bank at the present time are less than they were five years ago. I wish to direct your attention to the table as found on page 77 of Senate Report No. 125, in which are stated the deposits in the Canadian postal savings bank. I will especially direct your attention to the amount of deposits, beginning with the year 1888. In 1888 there were twenty million and some odd, and in each year there has been an increasing amount until for 1906 the amount was $45,736,000; for the nine months ending March 31, 1907, at the rate of $47,452,000; for the year ending March 31, 1908, $47,564,000, and in a footnote it states that the total deposits for the year 1909 fell to $45,190,000. I direct your attention to the fact that for the year ending June 30, 1889, the total deposits were $23,011,000, and for the following year $21,990,000; for the year ending June 30, 1891, $21,738,000; for the following year $22,298,000, and for 1893, the following year, $24,153,000, and each succeeding year increasing amounts. Do you think it is a fair statement, in view of the uniform increases, with a few exceptions, during that period of years, to cite the fact that just because in the past year the total amount happened to be less by $2,400,000, that there is not a continual growth to the service there? I may instance to you the fact that when I visited Canada last year and spoke to the superintendent of the postal savings bank, Mr. Harrington, he directed my special attention to one reason for the withdrawal of funds, in the investment by the local people in Cobalt securities. May there not be some exceptional reason why the funds are temporarily withdrawn, and should you make that citation in view of these figures before you?

Mr. TETER. I would say, Mr. Chairman, that there is no intention at all to mislead on the part of any of us. I was quoting from a statement that was made this morning, but it came from the report of the Comptroller of the Currency. Mr. Stafford loses sight of the fact that there is a natural increase in deposits on account of the addition of interest increase, and if the natural increase on account of interest is added, the increase on account of increased deposits would not be very great.

Mr. GARDNER. What is the interest there now?

Mr. TETER. The interest in Canada is 3 per cent.

Mr. DODDS. That is, the interest on deposits?

Mr. TETER. Yes; in Canada.

Mr. STAFFORD. It was formerly 3½ per cent; several years ago, 4 per cent. Three per cent is the prevailing rate in private banks also.

Mr. TETER. I should like to have the record read that the deposits are less now than a year ago.

Mr. STAFFORD. But not less than five years ago?

Mr. TETER. No; less than a year ago.

Mr. Chairman, if there are no more questions, I will introduce Mr. Johnson.

Mr. STAFFORD. I would like to ask whether you have had any acquaintance with the deposits in safety-deposit vaults during times of panic and during normal conditions?

Mr. TETER. The institution of which I am president in Chicago has a safety deposit vault equipment, but it is of limited size, and I do not know that I would feel inclined to speak for a very large variety of business. The situation in Chicago during the last panic was, I think, unusually calm; we had no bank failures, and the public was not agitated in any way, and I do not know of any cases in which money was withdrawn from our bank or other banks and deposited in our deposit vaults.

Mr. MURDOCK. You would not have positive knowledge, would you?

Mr. TETER. As a matter of fact, we would not have positive knowledge; no. The safety deposit vault managers, however, come to be pretty well known by the people who come in and inquire, and once in a while we hear of a case of that sort.

Mr. LLOYD. Do you not think if an individual wanted to take money out of your bank and put it in a safety deposit vault he would take it out of your bank altogether?

Mr. TETER. I think he would.

Mr. STAFFORD. Have you any witnesses here who are managers of safety deposit vaults who can testify as to the amounts of money that are contained in safety deposit boxes?

Mr. TETER. I do not think so.

Mr. STAFFORD. It would be very relevant to the inquiry as to the amount of money that is in hiding to show the amount that is contained in these strong chests.

Mr. MURDOCK. Mr. Chairman, my understanding of the safe-deposit proposition is that there is an element of confidence goes with it. I would not think very much of my banker if he knew what I had in my safety deposit vault, or sought to find out, or would reveal it if he knew. Is not that part of the ethics in the profession?

Mr. TETER. Yes, it is; however, it would not prevent us from answering the gentleman's question as to the whole situation. If you were to ask a banker whether John Smith had currency in a safety box, he probably would not say.

Mr. STAFFORD. In Milwaukee, for instance, two of the leading safe-deposit vaults are separate from any bank, and the managers of those, I know, could testify as to the large amounts of money that had been reposed in their strong chests whenever there has been a panicky feeling prevalent in the city; for instance, when the First National Bank came near being ruined by the defalcations of the president.

Mr. TETER. Mr. Chairman, I should say it is only fair to follow that statement, if it is true, by the further assertion that when those periods pass by the money returns to the banks. That was the experience that we had in 1893, when we had a famous run on one of our largest savings institutions. In that case it occurred that a number of people actually rented boxes from the same company and went down to the vaults and deposited the money that they drew out upstairs, and subsequently they came back and gave up the boxes and put the money back in the bank.

Mr. GARDNER. It occurs in all panicky periods, does it not? A great many people, whatever they do with the money, draw it out in times of panic. I had thought what we were trying to get at was particularly the average amount of money.

Mr. STAFFORD. Do you know the length of time during which this money was reposed in these strong boxes from the time it was first placed there?

Mr. TETER. There was some general comment in the city of Chicago during the year or two following the panic of 1893, which, of course, was very severe all over the country, in reference to the turning up of some moneys that had currency straps on them, which is the form a banker wraps them up in, that bore date of the panic period. Understand me, that was not any great amount, but it averaged through the first year, most of it terminating with the first year of the box rental. But as over against these exceptional cases—we are dealing in a good deal of this discussion with the sick financial condition—our point is that we must have legislation to correct the sick situation, but we must not kill the man just to prevent him from becoming sick.

Mr. LLOYD. You do not admit that there is a sick situation, as I understand it?

Mr. TETER. Mr. Chairman, I admit that in panic times there is a sick situation that becomes general; it not only applies to banks, it applies to other lines of business, it applies to the Federal Government. But what we object to is putting a patch on the situation, to take care of a sick situation, perhaps, when by cooperation a readjusting of the federal banking act and other things we could make a constructive thing that would be good enough for well times and sick times, too. That is our point.

Mr. SMALL. Have you, in any prior part of your testimony, referred to any remedy for a time of panic when money is hoarded? I have just come in.

Mr. TETER. Mr. Chairman, the experience of the city of Chicago in the panic of 1907 is the best answer I can give to that. My point, in the times I have been before this committee, has always been that we are progressing in our financial legislation and our financial management, just as we are along all other evolutionary lines connected with human existence, and just so far as we progress in that to a large extent these evils will be eliminated. In the panic of 1907 there was very little dissatisfaction in connection with the banks of Chicago. Why? Because the Clearing House Association of that city had gone on beyond the matter of federal regulation and state regulation and had put in a clearing-house examining board, and when the panic came the confidence of the people of Chicago in its institutions was such that we had no trouble, and I mean no disrespect to the Federal Government nor to the State of Illinois when I say that I believe that the known disposition of the Clearing House Association in Chicago with reference to that situation gave that extra confidence in its institutions. It is along that line that the real remedy will come, of intelligent, progressive legislation, each year making our laws better, each year making our examiners a better class of men. The American Bankers' Association has asked for years that the federal bank examiners be salaried men and not paid by the piece for examining, and I cite that as an illustration;

and as those things are corrected and the work is done more thoroughly, just so far will the large body of the community become more and more confident of the management of the banks. There will always be a few people who will be timorous about banks, but let the sentiment once crystallize into one thought, that we are going to have our banks better, that they are going to be better managed, that they are going to be better superintended, that the laws are to be better, and we stop slurring them here and there by occasional raps—or, if you will pardon me, by patch legislation—just that much sooner will we get to a point where we will give the complete service that the American banks can give to the people.

Mr. SMALL. Assuming that one of the arguments in favor of postal savings banks is the proposition that in times of panic the disposition to hoard money exists, would, in your opinion, that condition be overcome by making currency elastic, so as to provide for an additional issue of the currency at such times? Would that be a complete remedy in your opinion?

Mr. TETER. Mr. Chairman, I have given so much thought to this one angle of our financial problem, that I do not consider myself a currency expert; but I certainly do believe that if there was plenty of currency, if the currency was sufficiently elastic to meet the rise and fall of the demand in this country, a large part of this difficulty would be obviated.

Mr. GARDNER. That is, we will never be short of cash if we have a device by which we will have plenty of money. [Laughter.]

Mr. TETER. That is very well put.

Mr. GARDNER. Now, to return to this postal savings proposition, I assume from the questions that have been asked that the minds of a number of our people are moved by the idea that in times of panic the money that is now withdrawn and goes into hiding would go into the postal savings banks, and if there was a system by which that money came back into the banks again and the Government, the shortage created by such withdrawals would be averted; that is, when the people get so afraid of the banks that they might withdraw their money and take it to the postal savings banks, and then if you could take from your vaults proper security and go to the Government they would bring the money back, which, in its next analysis, is that we are setting up a device by which the Government, in times of panic, may underwrite the banks. Could we not accomplish that by some method less cumbersome than the postal savings-bank system?

Mr. TETER. Mr. Chairman, I think so, decidedly, because practically all the banks of the country are good, and getting better every year. A large part of the assets are of a very high character, representing the character of the people who live in those districts.

I am not planning any currency scheme here, but if a plan could have been in operation in the year 1907—I speak from my own experience—where many an institution had a quarter of its assets in high-grade bonds, a number in the city of Chicago, and others, and much more than 40 per cent more in collateral loans, and, perhaps, 10 per cent, if not more, in first mortgages on Chicago real estate, if there had been some place where my bank, in conection with others, could have used this for additional currency—the answer is obvious.

Mr. FASSETT. That is precisely what the clearing house did, is it not?

Mr. TETER. That is exactly what the clearing house did in a number of cities, but as long as we have sixteen billions of deposits in this country, and only, possibly, three billions of currency in the banks—I want to be corrected if that is wrong; I am not strong on this point——

Mr. MURDOCK. You do not believe there is three billion dollars worth of currency in the banks of the United States? I think that is our total currency.

Mr. CREER. I think the total money in the country issued by the national banks is three billions.

Mr. MURDOCK. That is not in the banks?

Mr. CREER. No, it is the total issued of gold and silver, and all kinds of currency.

Mr. LLOYD. You said a moment ago that the banks of the country were good. Why is it, then, that you say to the people that you will not guarantee each other?

Mr. TETER. Mr. Chairman, as I understand the question, it is why the banks will not guarantee each other. As I said to you before, I do not claim to be an authority on all of these financial questions——

Mr. LLOYD. Let me interject, then; do you not say, in reply to that question, ordinarily, that you do not wish to protect the wild-cat bank?

Mr. TETER. I have heard that reply given in response to that question. But I will hasten to say that we think there ought to be some way of disposing of the wild-cat bank, and, Mr. Chairman, it can be done, and that is the point that we are driving at here all the time. In our own banking law in Illinois any group of men can get together and start a bank, and the auditor of the State could not deny a charter. In our new law, that has been approved in the last two years, he has a right, after investigating the men and finding that they are undesirable men to handle a bank or manage a bank, to decline a charter. That simply illustrates the point that I am making, and as time goes on those things will become more and more strict.

Mr. GARDNER. Suppose a good banking law in existence; what, from your standpoint, would the objection then be to a national statute that created some savings-fund plan, like the fire-insurance plan of New York some years back, by which the banks, as a system, did guarantee all their deposits? I ask the question in light of figures given here to-day showing how very, very small the losses have been by bank failures in the last forty years, indicating that the tax would have been infinitesimal, even with some wild-cat banks in the scheme.

Mr. TETER. Anything, Mr. Chairman, that I would say on that subject would be so thoroughly in line with what you have so often heard, because I have made no personal investigation on that line, that it would be almost wasting your time. Of course, I will say, the general feeling is that it is unscientific, in that it takes away the demand for the high standard on each individual that the present system makes. A guaranty created by close inspection and requirements to certain standards is an entirely different thing.

Mr. LLOYD. Would not this be true, that if you would undertake as bankers to protect one another and guarantee one another, that you would be the more careful about who was in your association, and see to it that everybody that was not conducting a fair and legitimate business was excluded?

Mr. TETER. Mr. Chairman, there could not be any question about that. If we were guaranteeing each other, we certainly would be as careful about each other as we could be.

Mr. LLOYD. If you did guarantee one another, do you not think that you would overcome whatever fear there is in the country about this solvency of banks at a given time?

Mr. TETER. I do not know.

Mr. LLOYD. I am suggesting that which is not law, you will notice; it is not the postal savings-bank bill, nor it is not the bank-guaranty feature in politics. I am asking you the question, why, as bankers, it would not be a wise thing for you to settle things yourselves, outside of any law, by guaranteeing one another?

Mr. TETER. Mr. Chairman, in reply to that, I can only get back to my Chicago illustration, and it answers that question considerably. The Chicago banks do not guarantee each other in the sense that the word is ordinarily used, but yet the public in Chicago know practically that the moral standing, banking ability, and the conduct of every bank in the city is passed upon by a committee of the clearing house, which is the associated banks.

Mr. LLOYD. That is just what I was getting at. The country understands that in the city of Chicago you have practically a bank-guaranty scheme by which you guarantee one another. I know out in my State we understand that Chicago has about the best system there is anywhere, because they take care of one another, and in the event of trouble with a given bank, as I understand it, in the city of Chicago, you protect one another; in other words, here is a bank that gets into trouble. In order to prevent that bank from failing you come to the rescue of the bank in some kind of shape and protect it.

Mr. TETER. Mr. Chairman, I would say that that form of guaranty is the type in which all progressive bankers believe. It is the type of guaranty as to the morals and conduct of business, and is a growing thing. In your own State, the city of St. Joseph has recently adopted it, and Milwaukee, Minneapolis, and St. Paul have already adopted the form of clearing-house examination, which is equivalent to a character guaranty.

Mr. DODDS. Would that not, to a large extent, cut out the individuality of the bank and of the banker to quite an extent?

Mr. TETER. We do not find it so.

Mr. DODDS. You do not understand me. I mean guaranteeing the bank, as Mr. Lloyd states; I do not mean your scheme in Chicago.

Mr. TETER. As I understand, Mr. Chairman, his recent remarks have been bearing on that form of character guaranty rather than on the so-called form of bank guaranty of the political parties.

Mr. LLOYD. I asked you that. I am trying to get at the other form. Candidly, I think if the bankers in the country took hold of the banking situation they would be able to avoid any discussion of the bank-guaranty feature if they would take it out of politics by their own action. Candidly, that is my own idea about it, and that is the reason I am pressing the question.

Mr. MURDOCK. Mr. Lloyd, what would you have them guarantee? Guarantee the deposits as between themselves or guarantee the loans as between themselves?

Mr. LLOYD. They can work up a system, if they undertake to do it, that will protect the depositor. That is the thing, of course, we are

concerned in—that the depositor shall be protected. You take care of the men to whom you lend money. Now, we legislators must be concerned with the depositor, the man whom you do not protect, except through the solvency of the individual bank. But in the city of Chicago your course, as I understand it, has the effect of actually protecting the depositor in every banking institution in Chicago. I care not what may be the means resorted to; if you accomplish that, you have accomplished the thing that is desired.

(Mr. Weeks resumed the chair.)

Mr. FASSETT. In other words, you can not guarantee the loan without guaranteeing the depositor; it has that effect.

Mr. TETER. Mr. Chairman, if there are no other questions I would like to give some memoranda to be added to the record, one showing the total savings deposited in the world, which I think will be of interest; some considerations concerning the postal savings-bank question; and the savings deposits of the United States, as shown by the report of the Monetary Commission, which is already in the report, and, as I said this morning, I think that document ought to become a very close text-book of this committee in considering this question; but I will put it in here in compact form.

The CHAIRMAN. They will be included in your remarks.

(The documents referred to are as follows:)

Total savings deposits in the world.

	Number of depositors.	Deposits.	Average deposit.	Average deposit per capita.	Proportion of depositors to total population.
Europe, Asia, Africa, Oceania, Canada, etc.:					*Per cent.*
Postal savings banks	40,320,303	$1,989,299,815	$49.33	.....	.....
Private savings banks	55,204,028	7,721,636,820	140.00	.....	.....
Total	95,524,331	9,710,936,635	101.66	$11.89	11.70
United States: Private savings banks	14,894,696	5,678,735,379	381.28	64.03	16.10
Total savings deposits in the world	110,419,027	15,389,672,014	139.37	17.01	12.20

SOME CONSIDERATIONS CONCERNING THE POSTAL SAVINGS-BANK QUESTION.

COMMITTEE ON POSTAL SAVINGS BANKS,
AMERICAN BANKERS' ASSOCIATION, SAVINGS BANK SECTION,
11 Pine Street, New York, December 27, 1909.

Is there an actual need for postal savings banks with which the people may deposit their savings?

No. There are more than 17,794 banks in the United States which accept savings deposits, the number is steadily increasing, and many other banks issue time certificates of deposit, a form of savings; there were on January 1, 1909, in 114 cities in 24 States, 1,102 public schools where children deposited their savings, and additional systems for the savings of scholars are being established daily throughout the country; there are 5,599 building and loan associations, the resources of which represent savings; there are 827 life insurance companies with 33,186,420 policies in effect, the accumulated reserves on which might be considered savings.

Will postal savings banks accomplish the ends claimed for them? I. e.—

A. Teach people thrift?

A country-wide campaign has for years been conducted by financial institutions for the education of the masses on the advantages of saving money, through advertisements in newspapers, magazines, and periodicals. Moreover, the magazines and periodicals are supplementing the advertising by articles on the benefits that accrue and the opportunities afforded the man, woman, or child who has a few dollars or will save them.

B. Furnish depositories for savings in remote districts?

Banks are being established in all sections practically as fast as there is need for them. In the last fifty years, while the population of the United States has increased 193 per cent, bank deposits have increased 3,460 per cent. Moreover, the reserve money of the saving farm hand and of the more prosperous farmer is now taken by the local bank and turned back into activity in the community whence it was drawn by being loaned on first mortgage real estate security, which would be impossible if funds were deposited in postal savings banks and redeposited in national banks.

C. Dissuade foreigners from sending earnings to their native lands?

It is preferable to educate the newly arrived foreigner to American methods rather than to accommodate our methods to his inexperience. Moreover, foreigners who intend to make the United States a permanent home adopt American customs and patronize banks, the others simply come here to get rich, returning to their fatherlands to spend their money. Where the most desirable foreigners are locating, banks are growing fastest. In Iowa, in 1898, there were 551 banks, with total deposits of $92,117,000, to-day there are 1,231, with total deposits of $372,547,000; in North Dakota, 111, $9,100,000, now 596, $58,753,000; South Dakota, 190, $9,713,000, now 567, $78,830,000; Minnesota, 216, $59,370,000, now 903, $269,948,000. Of the money sent abroad each year by foreigners, the greater part is for the support of families left behind; most of the remainder to pay their passage to this country or to refund money borrowed to come here.

Are there real dangers attendant upon the establishment of postal savings banks?

Yes; six major dangers, viz:

A. Postal savings banks will draw funds to the large commercial centers, thereby interfering with local development. One reason for the startling lack of industrial growth in foreign countries, as compared with ours, is that all money is drawn to government centers, leaving none for local expansion. From Ireland, whence the cry of poverty is always heard, $65,000,000 was sent to London by postal savings banks, according to June, 1906, statistics. In the United States, the small bank established in a new community is the means of bringing outside capital in at the start and of carefully conserving such local capital as may develop, and the banker, as agent for the people in his community, takes the money from one part and lends it to another. (Thus at different times of the year those who become lenders of money through the bank are borrowers at another period.)

B. As people believe the Government impregnable, when a panic occurs, timorous depositors would withdraw their funds from regular banks in order to place them in postal savings banks and by so doing would add materially to the crisis, as the Government could not return the money to the affected sections with sufficient rapidity to afford relief.

C. In war time—and as long as there are men there will be wars—the Government would not only be obliged to raise money for the conduct of the war, but should postal savings funds be taken for war purposes, it would be necessary to obtain more money for interest and with which to pay such depositors as desired to withdraw their funds—and they would be many, especially the very foreigners for whom it is proposed to establish postal savings banks—which would result in an immediate and lasting increase in taxation.

D. As post-offices are probably the most fertile field for robbery, if postal savings banks were established the South, Southwest, Middle and Northwest and West would be overrun with bandits. To safeguard postal savings funds the installation of 40,000 burglar-proof safes in post-offices would in itself cost millions. Moreover, there would be innumerable opportunities for theft among the thousands of clerks, whom it would be necessary to employ at Washington in order to make the entries of deposits, withdrawals, and corrections. For instance, in London, 3,000 clerks are employed in the auditor's office alone.

E. As postal savings funds will be beyond recovery by legal process, a vicious debtor could defraud his creditors. The Government is powerless to make exception in the case of postal savings funds, because, ipso facto, it can not be garnisheed, attached, or subjected to similar process of law.

F. As postal savings deposits will be exempt from taxation, there will be nothing to prevent tax dodgers from withdrawing their funds from regular banks at tax time, depositing them with postal savings banks, and then returning them to the regular banks later, thus raising the tax rate on real estate in every locality.

Have all civilized countries except the United States postal savings banks?

No. Germany, Norway, and Denmark have none, private and municipal savings banks being provided instead. It is significant that in Germany, where there are no postal savings banks to draw funds from outlying districts to the great money centers, local development is more advanced than in any other foreign country.

Do those countries having postal savings banks have private savings banks?

There are only a very small number of private savings banks. Postal savings banks were established in foreign countries to make the people bring out their money in order that the governments could use the funds to pay their expenses, as postal savings deposits are used only in running the governments.

In all the postal savings banks in the world in 1907 there were $2,010,000,000 on deposit, compared with over $6,000,000,000 of savings deposits in banks in the United States. Between June 30, 1908, and June 30, 1909, Canadian postal savings banks show a loss of $2,401,357. An eminent authority on Canadian financial matters says: "It is to be hoped the government will conclude it might as well close these (the postal savings) banks, which in these days are unnecessary and have the effect of taking whatever money is deposited out of the regular channels of commerce in which it would be utilized if deposited in the chartered banks."

Has the Government ever tried banking before?

Yes. Three times—and failed.

In 1791 the Bank of the United States was chartered with a capital of $10,000,000, of which $7,200,000 was held by foreign stockholders. Because of political chicanery the bank went out of business in 1811, and its assets were purchased by a private banker in Philadelphia, Stephen Girard, who made a success of the institution where the Government had failed. The United States Bank was chartered for twenty years, in 1817, with a capital of $35,000,000, one-fifth of which was to be subscribed by the United States, the remainder by individuals and corporations. The bank paid a million and a half to the Government as a bonus for its charter. Because of political trickery a scandal arose over its administration which brought about a congressional investigation in 1819 that resulted in its rehabilitation being intrusted to Nicholas Biddle, a Philadelphia banker, who put it upon a paying basis. When the charter expired, in 1836, Andrew Jackson defeated the efforts to obtain a renewal. The Freedman's Savings and Trust Company, established to aid the negroes to become independent, owed $75,000 when it failed—and still owes it.

How will the Government use postal savings funds?

No adequate plan has been proposed. Provision of safe and convenient depositories for money is only half the function of banking, the most important being to put deposits back into circulation in the localities whence they are drawn. This the Government has no means to do. It proposes to place postal savings funds in national banks, but all national banks are not government depositories. Moreover, national banks are not allowed to loan money on mortgages, so community development would stop. If state banks were named as depositories also and a bond security required, the banks would be compelled to invest in high-grade securities, thereby causing the withdrawal of money from the sections supposed to be benefited. The public debt is not available, as in Europe.

How can deposits in postal savings banks be withdrawn?

It will be easy to put money into the postal savings banks, but difficult to get it out. In the six postal savings-bank bills introduced at the last session of Congress provision was made that deposits could either be withdrawn at any time or under such regulations as the Postmaster-General might make, but as to the form in which they should be paid there was silence. The Government pays by warrants on the Treasury. These, unless the recipient lives in a city where there is a subtreasury, must be cashed at banks. If this method were continued after the establishment of postal savings banks, an anomalous situation would be created. Further, in fourth-class post-office towns the postmaster, under the existing law, is not allowed to keep more than $50 on hand. Unless the law were changed, the depositor in such a town would be obliged, in case that amount had been withdrawn, to wait until more was received or funds were sent from some higher class post-office, or forced to accept a draft on New York (on which a fourth-class postmaster is now instructed to draw in certain emergencies), which could only be cashed at a bank. Moreover, the majority of money orders purchased from the post-offices are cashed by banks, because the process of collection is too cumbersome.

Respectfully submitted.

LUCIUS TETER, *Chairman*,
President Chicago Savings Bank and Trust Company, Chicago.
CHARLES E. SPRAGUE.
C. LA RUE MUNSON.
P. LE ROY HARWOOD.
F. R. MORISON.
MYRON T. HERRICK.
WILLIAM HANHART, *Secretary*,
Savings Bank Section, American Bankers' Association,
11 Pine street, New York.

	Savings deposits in the United States as reported by the Comptroller of the Currency, 1909.			Savings deposits in the United States as reported by National Monetary Commission, April 28, 1909.		
	Number of banks.	Number of savings depositors.	Amount of savings deposits.	Number of banks.	Number of savings depositors.	Amount of savings deposits.
Alabama	10	13,320	$2,019,712	187	50,725	$7,810,548
Alaska				8	520	645,032
Arizona				40	4,678	1,266,042
Arkansas	6	5,213	1,157,131	163	14,187	2,932,762
California	131	443,334	250,915,736	529	525,488	281,228,437
Colorado	10	17,304	3,895,021	233	62,804	20,086,594
Connecticut	88	544,664	257,696,998	189	553,901	259,717,880
Delaware	2	25,380	9,139,659	41	35,608	11,628,354
District of Columbia	12	54,069	11,101,116	28	87,711	18,892,588
Florida	4	6,295	1,168,190	110	38,380	8,572,792
Hawaii				11	11,325	3,665,363
Georgia	18	35,163	7,832,232	381	99,236	19,816,184
Idaho	4	1,217	336,486	141	11,393	1,971,867
Illinois				995	821,203	258,314,960
Indiana	5	32,039	10,917,991	693	271,221	68,884,756
Iowa	572	373,906	136,958,093	1,097	419,546	153,979,963
Kansas	14	20,080	3,552,705	803	61,220	14,936,042
Kentucky	11	17,314	1,996,554	454	59,594	21,373,542
Louisiana	9	60,887	16,429,181	159	80,733	21,356,283
Maine	52	226,861	87,677,255	165	332,687	118,779,073
Maryland	48	247,445	89,961,898	183	346,317	125,676,628
Massachusetts	189	2,002,010	728,224,477	427	2,049,137	747,150,028
Michigan	15	76,129	31,292,353	478	606,989	174,437,635
Minnesota	11	92,544	22,503,156	781	257,267	64,936,615
Mississippi	12	7,640	2,047,270	192	31,551	7,432,230
Missouri				921	218,555	49,180,818
Montana	3	4,067	3,368,991	96	21,076	9,772,492
Nebraska	11	16,846	3,261,165	731	67,673	24,177,206
Nevada				30	4,857	2,399,927
New Hampshire	55	178,440	79,599,246	116	197,757	84,059,715
New Jersey	26	297,926	98,549,807	300	641,868	208,548,010
New Mexico	4	1,575	409,512	63	3,930	1,747,214
New York	137	2,760,343	1,405,799,067	831	3,238,890	1,595,039,940
North Carolina	24	44,783	7,349,823	275	103,744	18,200,868
North Dakota				499	23,774	13,006,295
Ohio	44	321,809	103,966,942	801	861,516	274,281,930
Oklahoma				589	10,507	2,475,279
Oregon	6	3,339	1,890,229	109	37,284	15,041,663
Pennsylvania	11	452,487	166,095,385	1,144	1,270,023	520,488,711
Philippine Islands						
Porto Rico				7	9,490	563,879
Rhode Island	18	130,231	69,308,515	52	192,415	116,570,308
South Carolina	28	30,476	9,350,910	173	66,553	18,700,513
South Dakota	12	7,767	1,750,544	450	43,012	13,073,309
Tennessee	27	48,003	14,039,136	275	85,643	21,327,318
Texas				763	34,484	9,157,931
Utah	3	29,194	8,544,649	79	63,901	16,503,291
Vermont	21	104,620	39,442,734	91	178,585	65,894,009
Virginia	22	33,349	9,583,957	288	126,867	43,118,686
Washington	11	14,685	4,507,943	257	135,729	35,045,416
West Virginia	11	42,189	8,195,002	190	91,628	23,454,441
Wisconsin	3	6,249	1,146,807	494	324,963	79,027,289
Wyoming	1	700	222,113	73	6,819	2,386,687
Total	1,703	8,831,863	3,713,405,709	18,245	14,894,696	5,678,735,379

The totals reported by the monetary commission are divided as follows:

	Number of banks.	Number of savings depositors.	Amount of savings deposits.
New England States	1,040	3,504,482	$1,392,171,014
Eastern States	2,527	5,620,477	2,480,274,234
Southern States	3,610	883,325	223,254,113
Middle Western States	6,260	3,781,262	1,123,043,969
Western States	3,537	300,815	101,661,124
Pacific States	1,253	783,520	354,101,679
Island possessions	18	20,815	4,229,243
Total	18,245	14,894,696	5,678,735,379

STATEMENT OF MR. F. D. WIMBERLY, OF COCHRAN, GA., REPRESENTING THE FARMERS' UNION.

The CHAIRMAN. Mr. Wimberly has asked that he be allowed to make his statement before he is asked questions. If there is no objection we will accord with his wishes in that regard.

Mr. WIMBERLY. Mr. Chairman, my reason for that request is that I am no lawyer, never studied law, never have been in any legislative body, and I want the liberty of talking to you as a clodhopper with plain, cornfield common sense.

This is the first opportunity ever given me to reach the ear of Congress, or any part of Congress; and yet for more than two decades I have been immersed above the head in politics, and accustomed to the old cry that came from bankers, and railroaders, and manufacturers, and merchants, and Congressmen, and lawyers, and doctors, and preachers of the Gospel, "You farmers have no business in politics. Go and attend to your plowing," and since we have been up here, more than one Member of Congress has, in polite phraseology, given us to understand the same thing. They say, "What have you to do with banking and finance? Why, bankers and business men look after that. You have nothing to do with it, and you had better go home and attend to your farms," and regard it as an absolute impertinence that at last, after the war more than forty years ago, the farmers of this country, in an organized capacity, dare to present their wishes to the Congress of the United States. We have got here at last, and I want to know how in God's world we ever can impress ourselves upon the legislation of the country unless we quit our farms and organize ourselves just like men do in all callings, and throw the tremendous impact of a solid organization with a purpose and with a plan, to accomplish desirable ends for our class?

Now, gentlemen, politics is making law for folks. You need not go and take the simple definition in Webster's Dictionary, "The science of human government." It is making law for folks. But we people, who are living in the country and are so close to God from the nature of things around us, must have nothing to do with making our laws. I wish every Member of Congress would draw definitely the distinction in his mind between politics and partisanism, or partisan politics. General Bragg, after the war, said, "Politics is hell." He made a mistake. Politics is making wise laws for God's people, but partisanism, the hell of politics, has brought our country to its present condition of unrest, and I tell you there is no use to deny it, the fires of destroying revolution are being kindled in this country now, and men of sense know it everywhere; and the farmers are making this active movement because they feel that they have to arouse themselves and call upon men who are patriots and who understand our institutions to rally around them, under the principles of righteous government laid down in the statutes which God gave Moses, and which were copied by Thomas Jefferson. Those principles of government have for their foundation the home, untaxed and inalienable. Great God! Is that the case in our country? Not only is the home taxed, but every imaginable thing in it and around it and about it, from the cradle to the grave—not only by the General Government, but by every State. They even go to the extent of taxing the gun with which a poor man kills a rabbit, and go into the kitchen and tax the skillet in which the poor woman fries it for her boys. The thing is wrong, gentlemen, and it is because we farmers have had nothing to do with politics. If we had had, if we had banded to see that the laws of our country were framed properly, I say there would have been a better state, because nearly every grand man this country has ever had, in all the walks of life and of business, in the pulpits of the land, in legislative halls, upon judicial benches, directing great enterprises—nearly every such man was country born, or very close to it.

Here is our situation. There is in this country the party of Socialism, that mess of politics brought from Europe; and men like you in days gone by have stood up and said to me, "You are a Socialist." I said, "If you were to meet one in a big road you would not know him from a pole cat, sir." Socialism—a farmer a Socialist! Gentlemen, Socialism is not at all satisfied with this Republic, nor any of its institutions, nor with the Bible which we folks who live in the country read and whose author we worship. They do not think this Republic is a good thing. They say, "Great God, wipe out the whole thing." We say our Republic is right; all it needs is to purge it of abuses in every direction, so that every poor boy who is born will have a chance, because we will have equal rights and no discriminations. They would just wipe out the whole thing and set up what they call the commonwealth, saying the Government must own all the means of production and distribution. Every man living knows that almost everything we get comes out of the land by man's applied energies. This doctrine inevitably destroys the Christian home. We are now pressed down by the upper millstone of plutocracy and there arises to meet it the nether millstone of Socialism. Between the two we are in peril of being ground to powder. We had better bestir ourselves. There is the Philadelphia strike. Oh, great God——

The CHAIRMAN. Mr. Wimberly, I do not wish to interrupt you; I wish to keep my agreement with you; but I want to call to your attention that the members of this committee are all extremely anxious at this time to get information on the question of postal savings banks.

Mr. WIMBERLY. I will come to that. I discovered this morning that I had to alter what I had to say, and it bothers me. But call me down if I get off; I will come back.

Now, gentlemen, I can not present a full comprehension of this movement of farmers without some discussion of our banking system. I can not present to you our conception of Senator Carter's bill without discussing that system. It is evident that the position of the bankers who have preceded me here is that the Government must keep out of the banking business. We farmers say the bankers ought to keep out of the governing business.

Before the war ended they began at once to meddle with the greenbacks, and went on to burn them up, burn them up—the greenbacks, that enabled Abraham Lincoln to conquer the confederacy, and nothing else under God's sun would have done it.

The Constitution says this Government has the power to coin and regulate money. If they had held to that prerogative with regard to those greenbacks, what a great country we would have had. But they altered that, and instead of coining money they went to coining bonds, Mr. Chairman, and gave over to the bankers the privilege of coining the money; and it was not money, it was a substitute. It is

true the Government printed the bank notes and signed them up, and it was all right; but it was not money until the banker got home to his big city or little town, and he and his cashier signed it. The Government abdicated its sovereignty over money and enthroned the bankers. We farmers found ourselves in this fix, among other bad things; we could not borrow a dollar on our lands, the bottom of all wealth, the best and surest property under the sun, the land which God gave to men, saying, "In the sweat of thy face shalt thou eat bread." But the time merchant could take our mortgage on the land and fold it up, and give his note and put in there with the mortgage as his security and indorse his note, and go and get all the money he pleased, and charge us 100 per cent. I have paid as high as fifty per cent a year for money and 300 per cent for goods on time, and it came out of that law. Gentlemen, I do not like it. I never have liked it, and I tell you I do not think it ought to be perpetuated. I think it ought to be altered, and we want the Government now to change its policy and begin to regulate the value of money, and here is a chance now to begin to do that, as we look at it, with the Carter bill. We want the Government to get hold of some money and put it in the local banks. We will keep it there.

The bankers have it so fixed now, through their reserve laws, that the money comes from the local banks everywhere and goes in strong current to Wall street. For what? To lend to the gamblers to run down our cotton and our corn and all our products, and thus skin us all around. It ought to be so that that money will not go there, and I tell you gentlemen, if you pass that law, what I am going to do and what the farmers are going to do. We are going to beg our country banks, for their own sakes and for the sakes of their patrons and for the salvation of the South and of the West, to keep every dollar in the South they have got; never let any go to Wall street. We want to become independent, and under the blessings of God, with wheat at $1 and corn at 65 cents and cotton at 15 cents, in two or three years we will have money enough, and I will be dogged if we don't get more than Wall street has got.

Objection is raised against everything that is to the interest of the people, on the ground of its constitutionality, and I have been reading some constitutional arguments since I have been here. My sakes, it does look to me like it is tittle-tattle, and I would like, Mr. Chairman, to say something on the constitutionality of this, but I am no lawyer; there is no use of that.

The CHAIRMAN. That question has not been raised.

Mr. WIMBERLY. Well, look here; if it is raised, by George, every man say it is constitutional, please.

Mr. LLOYD. Have you examined this Senate bill?

Mr. WIMBERLY. Mr. Murdock's bill is the one.

Mr. LLOYD. Speaking for myself, I do not know what bill you are talking about.

Mr. WIMBERLY. It is Senate bill 5876.

Mr. STAFFORD. What bill do you say you have examined?

Mr. WIMBERLY. I made a mistake; it is Mr. Carter's bill. I will not go into that matter, nor anywhere else when you object, of course. I am here to get all I can out of the committee. I am going to discuss this bill now, gentlemen. You are not going to call me down when I speak to the bill, are you, Mr. Chairman? Anyhow, you have a

pretty fair view of how we look at it. We are not satisfied. Give us this postal savings bank and we will begin to feel that we and our northern white folks are getting to be brothers at last, laying aside the animosities of the war and the negro stench. There is where we want to reach. This bill is perfectly acceptable to us, and we have debated it with prayerful consideration.

But we do plead with the committee to make one amendment. Please open your ears now and hear with good understanding. There are two provisos in this bill, one introduced by Mr. Smoot, which reads:

Provided, That when, in the judgment of the President, war or any other exigency involving the credit of the Government so requires, the board of trustees may withdraw all or any part of said funds from the banks and invest the same in bonds or other securities of the United States.

That was modified by the further provision offered by Mr. Borah:

Provided further, That no part of said funds shall, in any event, be invested in bonds or other securities bearing interest at less than two and one-fourth per centum per annum.

We want to throw in a few words that we consider very important, right in the middle between those two provisos.

Mr. MURDOCK. That is, on page 7, between lines 9 and 10? Is that right?

Mr. WIMBERLY. Yes, sir.

Mr. MURDOCK. All right.

Mr. WIMBERLY. Page 7, line 9, beginning right after "United States." At the close of his amendment we want to insert certain words, so that the sentence will read this way:

And invest the same in bonds or other securities of the United States, such bonds or securities being issued by the Government to meet such exigency and the Government being the vender thereof.

We want you to give intense consideration to that insertion. That will perfect the bill for the farmers, and I do not see how any proper objection can be raised against it.

As to the other matters in that bill, I have heard no questions and heard no objections by any that have preceded me; but I wish to say that these smart, cunning bankers utterly misconceive the object of that bill, and they say they have hunted strenuously but vainly to see if they could not find in the South and the West any advocates for it. The aim of that law is to draw out money that never gets to banks.

Mr. LLOYD. May I ask you here a question?

Mr. WIMBERLY. Yes, sir.

Mr. LLOYD. Have you any considerable amount of money down in your country that does not go to the bank?

Mr. WIMBERLY. Lots of it.

Mr. LLOYD. Where is it kept?

Mr. WIMBERLY. I will tell you presently.

Mr. MURDOCK. That is what we want to know right on this point.

Mr. WIMBERLY. I will tell you presently. Many men are fearful of banks; many men have got to believing that banks steal; many men are ignorant and prejudiced, and they range from the simple, thick-headed negro and the utterly ignorant white man up to men of that class who have got to be pretty prosperous; and I will give

you two instances in my own county. The amount I do not think any man can estimate by elimination or any other process, but they have got the money. A few weeks ago out in the Southwest I read an account of a man who plugged up $2,000 in a big hole he bored into his log house. The man who put it there thought he had it safe. His house burned down and the money with it. Just so, there were in my county two citizens killed by negroes. One was named Martin Livingston and the other Warren Hart, both good citizens and good livers, after their style, and both hoarded money, and both were killed by negroes to get their hoarded money, and both were killed with axes—no, Livingston was not killed, but they thought so. Livingston was called out of his house at night, and the negroes, two of them, chopped him with the ax and thought they had killed him, and cut the man's head open clean down through the mouth and all, and, to the amazement of all, he did get well. They pitched him into a little crib and went into his house and chopped his wife's head open and left her for dead. They then searched the house, but could not find the money. The wife, though, did not die, and when they got out of the way she crawled to a negro woman's house about 60 yards from there and got help. That man lived, but is a physical wreck.

It wasn't three months after that when, within 10 miles from where Livingston lived, a negro went to old man Hart's house. I had pleaded with Hart to put his money somewhere; that his life was in danger; but he wouldn't buy any more land because he had a good home and two good mules. I said, "Well, lend it to somebody." He said, "Oh, no; I have it. I had better keep it safe." I said, "Mr. Hart, put it in the bank." He said, "Put it in the bank? My God? They will steal it." I said, "Mr. Hart, if the United States Government had postal savings banks and Mrs. Grimsley could take your money, and the United States Government keep it for you, guarantee its safety, and pay you 2 per cent for it, would you put it in there?" He said he would put it in there in a minute, if they didn't pay him a cent.

Mr. LLOYD. This bill would not have enabled him to put it in there.

Mr. WIMBERLY. He could have put five hundred in, and his wife five hundred, and if he had any children they could have put the balance in. There are two instances of men of considerable means. Livingston ran five plows.

I presume that state of things among the farmers of the South is much more prevalent than in any other section of the country, and it comes from this: War left us in sackcloth and ashes. We fought as long as we could, did we not? And it is painful to think of the days of reconstruction. O, my God. Let them go by. It just left us so that the generation that lived could get no education, and that accounts for the illiteracy among the whites in the South. We are beginning now to educate the children, but our country schools are not first class. All over the South in the country you find men who hoard money in that way, and will not trust it in banks, and will not trust it with anybody else.

There is a merchant, who is a brother of my wife, and an intelligent man; for years and years and years he never would put a dollar in a bank, but he would lend it to his brother, Joe Taylor, at 4 per cent and he would not lend me a cent at 10 per cent; I was broke; but

Charlie was lending money to Joe and I would go and borrow it from Joe at 8, and thus Joe made 4 per cent on it. I never have yet seen a single one of those men but believes in Uncle Sam. They think he is solid and sure, and they know if Uncle Sam weakens and breaks down then the money will break down, too.

Mr. LLOYD. Have there been any bank failures in your country recently?

Mr. WIMBERLY. Oh, no; they are getting along pretty well.

Mr. LLOYD. You deposit in the bank, do you not?

Mr. WIMBERLY. Oh, yes—and borrow from them like the dickens. [Laughter.]

Mr. LLOYD. You are not afraid of the banks?

Mr. WIMBERLY. No; but I don't let them have too much at a pop. [Laughter.] I am of a very credulous nature. People can fool me. I like to have faith in my kind.

Mr. LLOYD. Is it not true that it is the men who do not belong to the farmers' union who do not deposit in the banks?

Mr. WIMBERLY. Generally, but we have some men who do not. We are educating them and enlightening them.

Mr. LLOYD. Then the farmers' union, as such, does not need the postal savings bank, does it?

Mr. WIMBERLY. Oh, yes; it needs it like forty.

Mr. LLOYD. What does it need it for?

Mr. WIMBERLY. If you can get the Warren Harts down there to deposit the money, the Fred Wimberlys will borrow it. It will work good all around.

Mr. MURDOCK. Do you not run across this character sometimes—the man who uses the bank, who is both a depositor and a borrower, and yet he hoards more or less, too?

Mr. WIMBERLY. Yes, sir.

Mr. LLOYD. Do you think, as a practical proposition, if you had the postal savings bank, that you, Mr. Fred Wimberly, could go to the postal savings bank and borrow the money?

Mr. WIMBERLY. Oh, I could go to the local bank that got it out from the Government and borrow as much as I please.

Mr. LLOYD. Then you would deal with the bank and not with the Government?

Mr. WIMBERLY. That is true; but the bank deals with Warren Hart, and the Government deals with Warren Hart, and that would get his money into the bank.

Mr. MURDOCK. You started with the original proposition a few minutes ago, and I would like to hear more about that, that a postal savings bank would develop money that does not now reach a bank at all.

Mr. WIMBERLY. Yes, sir.

Mr. MURDOCK. How much do you think it would; what per cent in your country is now in hiding, in normal times, not during a time of panic?

Mr. WIMBERLY. Mr. Murdock, to save my life I could not make an estimate, and I do not believe a Member of this Congress is wise enough to do it. We know this, there are men everywhere, where they have got savings banks, who put money there, and they put heaps of it there, and you will find that these post-office banks, which we want for savings banks for the country, you know, will draw out an

immense amount of money that can be utilized in those sections where currency is scarce, and help to build them up. That is what we are driving at absolutely; and we would make that thing work and work well, because the little bankers down there have been listening to us farmers there, and we are making motions like getting together. The thing is not running right for the South and the West.

Mr. LLOYD. Is it not true that numbers of the farmers' union people now are stockholders in the banks?

Mr. WIMBERLY. Not numbers, sir. I tried my best to get up a bank, and we got it up, all started, but our banker backed down and would not stick to us, this spring.

Mr. LLOYD. You will have one next year, will you not?

Mr. WIMBERLY. I hope so, if we can get a man who can run it, because I do not know how to run it. I hope you will not tangle me up. I was tickled at the bankers who were quizzed ahead of me. They got in a heap of tight places.

Mr. LLOYD. We could not get ahead of you if we wanted to.

Mr. WIMBERLY. So far as the farmers are concerned, I think I made it clear to you how we look at this, and the farmers of the South and the West are tired of being so utterly dependent on Pierpont Morgan and Rockefeller to know whether we shall have anything or not.

You see how they regulated the value of money in 1907. Pierpont regulated it right, and in a few weeks he got a property worth about $800,000,000 for $30,000,000. Men like me in the South ran to our little bankers, and we said, "In the name of God, let's be folks one time; let's make our own money." They were apprehensive and fearful and then they were afraid of this. They said, "Will they take it?" meaning the farmers around. They took it. They had to take it for money, for they could not get anything else, and we said, "Let's make our money," and in our county I got three of the banks in an association, and they issued their certificates, based on what? The notes of men like me. Great God! Based on our notes, our notes, the best money that Pulaski ever had, because it would not go away from home, and the union stood its ground and would not let their cotton go down, thank God. But since then Pierpont had Congress to amend so that our bankers will go to Sing Sing if they make money of their own when Pierpont locks up his—about half of the total supply. I tell you, gentlemen, these big bankers, obliged to invest, have lately been acquiring even the country telephones. I rather suspect in a few years they will take everything I have but my wife and children, and I am not so sure they will not get some of them. It is bad.

Mr. LLOYD. If the rest of the family are as bright as you are, I haven't any doubt that some of them will be lost to you before long.

Mr. WIMBERLY. When the next panic comes along I will be just like I have been for years and years. I knew long ago that New York made these panics. I have always had a great big bank of potatoes and plenty of meat, and I could just stop work and eat what I had.

Mr. SMALL. I understand you to have given this as one reason for your desire for the postal savings bank; that is, that it would attract the money that is now being hoarded by men in their homes and in their secure places, as they think them. What other reasons for the establishment of postal savings banks would you urge except that?

Mr. WIMBERLY. Gentlemen, right there, now, I have to hit the bankers a lick.

Mr. LLOYD. Hit them; that is all right.

Mr. WIMBERLY. You remember that during the war Mr. Lincoln was terribly put to it; he could not get money from the bankers except away up yonder; all the gold and silver they hid out, and yet, after specie was stored safely away, they would let him have some paper money on terms ruinous, absolutely ruinous; it resulted in his issuing sixty million, about, of Treasury notes, without any qualification, without anything about it but the promise of the United States to make good, and it was good for all debts, public and private. Those millions stood at par until the close of the war, unless I have read history that was a lie—and much of it is a lie, but I believe that much is true. Good sense prompts me to believe it. They went to work bothering and hindering the Government one way and another until that great man in righteous anger rose, and said they ought to have their infernal heads shot off. You talk about paternalism. Quit that. It is all foolishness. This is a paternal government for the great corporations; the corporations in which every moneyed man sinks his individuality, and he is as nothing, and no matter whether he is a Republican or a Democrat, whether he is a mine operator or a railroader, no matter what he is, he just leaves it to that concern to make more money, and they stand together in solid phalanx, and the Government has given them every opportunity, with special privileges and governmental concessions to get from the people the enormous wealth they are creating. And I want to say to you right here, my father was a wealthy planter, but tolerated in his children no fool notions. He made me work like his negroes on Saturdays and during the vacations, and I thought it was awfully hard. He never would let me have any money unless I absolutely needed it; at 16 years he stopped me at school, saying I was too advanced, and made me and a negro work together so I could not dodge him. I know what my father had. I know he had authority to say to one go and he goeth, and to another come and he cometh. I know his equipment of fine mules and everything a farmer wanted. But with advances in agricultural science since the war I absolutely can take these negroes, these free negroes, who think of nothing in their religion or philosophy except to get what a white man has and to give nothing for it—I can take them, bloodsuckers as they are, and make five times as much to the plow or to the hand as my father made, and out in the West one man can make ten times the wheat he could before the war, and now we ought to have our share of that. It should be so every farmer's house would be a mansion as compared with his present hut.

The CHAIRMAN. Mr. Wimberly, it is getting near the hour to adjourn, and Mr. Small has asked you to give, as concisely as you can, other reasons why you are in favor of the establishment of postal savings banks.

Mr. WIMBERLY. Very well. This bill says, "In case of war or other exigency." We will approve that, and if we had a little bit of tussle and the Government wanted the money, I would be glad to see it have it, provided the Government makes the people on the farms feel like they are concerned with it. If it takes care of these men's money, the people will not make a run on the Government. They will just let it stay there and get 2 per cent. Let the Government

now issue its bonds and be the vendor of its bonds and say to these depositors, "We want to borrow your money, to take it out of the local banks to run this war." Do you reckon they will demand 10 per cent? They are patriots. They have got homes. Men will fight for their homes and fight to maintain the government that keeps their homes and enables them to live in comfort, and even in luxury. The farmers of this country would not only put the money they have in it, but they would draw it out of the savings banks and other banks, and as fast as they made money, to sustain the army they would turn it over to the Government. The bankers would not do it, but the farmers would do it, gentlemen. But they are beginning to feel like this is not our Government. I walk around here in this magnificient Capitol with all its appointments. The directions are a little confusing. I get lost. I have not got the corridors and twists straight yet. I had to find out which was your northeast corner to-day. I tell you this magnificient spot around this Capitol, sustained by our taxes, and all the appointments here—oh, if we just felt this is the government for every man who contributes to its support everywhere, how happy we would be! We farmers are contributing just about three-fourths to sustain this Government, and loaded with burdens intolerable. Oh, my God, men, stop! Don't you believe now, in case of war, if you make that a law and let it abide, the farmers will respond? Just alter the current of legislation somewhat.

Mr. SMALL. Mr. Wimberly, suppose as a result of the establishment of the postal savings banks the money should not be deposited in local banks to meet local demands, but should be taken away to some central depository like New York City, Wall street; would you still be in favor of postal savings banks?

Mr. WIMBERLY. No, sir; I would not, Mr. Small. That gave me a great deal of concern, and our whole committee.

Mr. SMALL. Why would you not be in favor of postal savings banks under that condition?

Mr. WIMBERLY. Because I want the money to stay where it is needed, where I can get it. I do not want it to go to New York at all. I want us down in Georgia to have just as fair a show as a man who has an office in Wall street. We have got a fair show for postage stamps and want it for money.

Mr. SMALL. If the local banks in the several communities and towns could attract all the money so that it could be put on deposit in the banks, then in your opinion there would be no necessity for postal savings banks?

Mr. WIMBERLY. They can not attract it without a postal savings bank.

Mr. SMALL. But in your opinion the money can no be attracted without a postal savings bank?

Mr. WIMBERLY. No, sir; impossible.

Mr. LLOYD. Let me ask you a question in connection with the bill. Do you think it is right in principle that the local bank should give security to the Government for the money that the Government deposits in that bank, when it does not give any security to you for the money you deposit in the same bank?

Mr. WIMBERLY. Look here; isn't that a tight fix? Go up now and say: "Mr. Banker, I want a thousand dollars." He replies, "Where

is the person who will secure it?" "Mr. Banker, I want a thousand dollars." "Secure me." It is the same thing everywhere. You take the buzzard and I take the turkey, or I take the turkey and you take the buzzard; heads up I win, tails down you lose. That is the way it goes all the time. It is not a fair tote. The thing is not right, but we are obliged to have banks, gentlemen. I am not fighting banks.

Mr. LLOYD. Then you are not in favor of that feature of this bill?

Mr. WIMBERLY. Yes.

Mr. LLOYD. That requires that security?

Mr. WIMBERLY. Oh, yes; as long as they give it to me I want it in there. If I do not get it, let the Government get it. But let us get on a par. I give security; make them give it.

Mr. LLOYD. Make the banks give it?

Mr. WIMBERLY. Yes.

Mr. LLOYD. Why should the bank give security to the Government, and if you happened to deposit money there not give it to you? I appreciate the fact that you are ordinarily a borrower. [Laughter.]

Mr. WIMBERLY. I understand that.

Mr. LLOYD. But suppose you should happen to be a depositor?

Mr. WIMBERLY. Yes.

Mr. LLOYD. Then would you not like to have your deposits guaranteed, so that you would know right there you were going to get your money?

Mr. WIMBERLY. I have been a depositor and have been a borrower. I borrow a thousand dollars and take one hundred and leave nine hundred. The banker does not give me any security for the nine hundred, but I have to give him good security for the thousand. I believe in evolution. Start the current now in the right way.

Mr. FINLEY. You are not, then, in favor of any postal savings-bank bill unless it is so framed that it will retain the money deposited in the postal savings-bank fund in the community where deposited?

Mr. WIMBERLY. Yes, sir; that is my position.

Mr. FINLEY. Do you understand that this bill that has passed the Senate does that absolutely?

Mr. WIMBERLY. We would rather have it without a bond in it. We hate that word "bond," anyhow.

Mr. FINLEY. No; I am speaking of the requirement that the money be deposited in banks local to where it is taken in by the post-offices throughout the country.

Mr. WIMBERLY. Yes, sir; under that bill they are, unless the President completely stultifies himself, and every man in the country can see it. The money will go into the local banks.

Mr. FINLEY. It will go there; but do you understand the provisions of the bill are such that it will remain there and can not be removed?

Mr. WIMBERLY. It could be removed; but look here: Did not I tell you that we farmers were going to get these local banks to go "snooks" with us and keep that money there?

Mr. LLOYD. Mr. Finley is a farmer.

Mr. WIMBERLY. If you are a farmer, get up and go home and talk to them and say, "Keep the money here. Don't let it go to Wall street."

Mr. FINLEY. I understand that, but I am trying to ascertain whether or not you are satisfied with the provisions of the bill relative to retaining the money in the community where it is deposited?

Mr. WIMBERLY. I am perfectly satisfied that that is the very best we can get out of this Congress, and I am pretty hopeful of getting it, and I am pretty hopeful of getting help from this committee in getting it. But under present conditions, with that reserve law in force, and that gambling going on in New York, and money refused to farmers and chucked right out to the gamblers, I do not see how we can keep that money there. The conditions are against us, but here we have a chance to keep it there, and I will work like thunder to do it.

Mr. FINLEY. There is no provision of law in this bill that prevents the Executive in the administration of the law from withdrawing money and redepositing it elsewhere.

Mr. WIMBERLY. Was that what you wanted?

Mr. FINLEY. Yes.

Mr. FASSETT. Why should it, because the depositor can always go to the post-office and get his money on demand, so the money always does remain in the community despite anything.

Mr. WIMBERLY. Under the provisos there that money can not be moved by the President unless in case of war or an exigency that amounts to a calamity.

Mr. FINLEY. I beg your pardon——

Mr. WIMBERLY. And with the public sentiment of the country backing that idea, that it must stay at home, no President is going to interfere.

Mr. FINLEY. I beg your pardon. If you will read every part of the bill carefully you will find out you are mistaken. It is a matter of administration and discretion with the Executive. It will be in his discretion.

Mr. MURDOCK. However, Mr. Finley, I want to call your attention to the fact that it involves an exigency that involves the credit of the Government.

Mr. FINLEY. A panic or a shortage of funds, revenue, anything of that sort, fluctuation of United States bonds, or anything, could be made an excuse for that.

Mr. WIMBERLY. I just stated, Mr. Finley, sentiment of this country, public opinion, forces this question. They have been at it for forty years, and with that law, made in consequence of that public opinion, and that absolute prohibition of the use of this money for the investor in those bonds, seven hundred millions of bonds, the President of this United States is not going to hunt any excuse. He will stand reprobated by the country, and I do not believe, upon reflection, you can put any man of presidential size inside of the limits of the United States in the chair that ever would do it. At first I was afraid of it, but you can not do it, because this country thinks they ought to have that postal savings-bank system, and not for the good of the rich bankers of New York at all, but for the good of the farming people scattered throughout this country.

Mr. FINLEY. I was asking you with reference to keeping the money in the locality where it is deposited.

Mr. WIMBERLY. You said the President could get an excuse.

Mr. FINLEY. Oh, yes; he could make them.

Mr. WIMBERLY. When he gets an excuse there will be a political revolution that will not only engulf him, but engulf his party.

Mr. FINLEY. Would you not be better satisfied to have that provision made stronger?

Mr. WIMBERLY. How would you make it stronger?

Mr. FINLEY. By language.

Mr. WIMBERLY. What is the language?

Mr. FINLEY. Oh, redraft it.

Mr. WIMBERLY. I think they have made that about as good as they can.

Mr. FINLEY. I am sorry I can not agree with you; I think it can be made stronger.

Mr. WIMBERLY. Make it stronger, and if they will pass it, that suits us better.

The CHAIRMAN. How many members of the Farmers' Union are there?

Mr. WIMBERLY. I can not tell. We have initiated about three million. There are not quite that many.

The CHAIRMAN. Have you been sent here to represent the Farmers' Union after a meeting held for that purpose?

Mr. WIMBERLY. Yes, sir; a regularly constituted delegate.

The CHAIRMAN. Do you hold a position in the Farmers' Union?

Mr. WIMBERLY. Yes, sir; high private in the rear rank. I had no office, but they put me here, and I was glad to come.

The CHAIRMAN. Do you think there are three million members?

Mr. WIMBERLY. No, sir.

The CHAIRMAN. How many do you think there are?

Mr. WIMBERLY. I do not know.

The CHAIRMAN. Do you think there are a million?

Mr. WIMBERLY. I reckon there are.

The CHAIRMAN. Are they scattered all over the country?

Mr. WIMBERLY. They are in the Southern and Western States almost wholly. We have not got over the whole country. We want to get over the whole country.

Mr. MURDOCK. How long has the movement, the Farmers' Union, under that name, been in existence?

Mr. WIMBERLY. About five years.

Mr. MURDOCK. Where did it start?

Mr. WIMBERLY. In Texas.

Mr. MURDOCK. Then swept east over the South?

Mr. WIMBERLY. Yes.

Mr. MURDOCK. Even up north to Oklahoma?

Mr. WIMBERLY. Yes.

Mr. MURDOCK. Has it reached Kansas yet?

Mr. WIMBERLY. Yes. Mr. Brooks, has not Kansas been reached?

Mr. BROOKS. Yes.

The CHAIRMAN. Are there any further questions?

Mr. FASSETT. I would simply like to ask if there are any other members of the Farmers' Union who wish to be heard?

Mr. WIMBERLY. Mr. Brooks is here.

Mr. BROOKS. I do not wish to say anything.

The CHAIRMAN. You have not anything to add to what Mr. Wimberly has said, as a representative of the Farmers' Union?

Mr. BROOKS. No, sir; we simply wish to present the attitude that the farmers favor the bill.

Mr. MURDOCK. And the Senate bill is fairly satisfactory to you?

Mr. BROOKS. Yes, sir; with the words that were inserted by Mr. Wimberly.

Mr. FASSETT. I would like to ask Mr. Wimberly—either you or your friend—you say the union approves of this bill. How was it approved? Was it submitted to each member of the union?

Mr. WIMBERLY. Each member of the legislative committee.

Mr. FASSETT. How many are there of that committee?

Mr. WIMBERLY. There have been about a dozen here.

Mr. BROOKS. I think you misunderstand. He wanted to know how it has been submitted. It has been approved in state, county, and national conventions and indorsed without any objection time and again.

Mr. FASSETT. Not this bill?

Mr. BROOKS. The postal savings bank as a principle.

Mr. FASSETT. The postal savings bank as a proposition?

Mr. BROOKS. Yes, sir.

Mr. FASSETT. That has been approved in your various lodges or——

Mr. WIMBERLY. Locals.

Mr. GARDNER. Was there ever any discussion at any of these meetings on this feature of keeping the money at home?

Mr. WIMBERLY. That was our object. The locals expected their legislative committee to come here at their expense—they maintain us—and get the very best we could for them. That is what we have been working for; that duty I am trying to discharge.

Mr. GARDNER. Has that feature of it ever been discussed at all in the Farmers' Union?

Mr. WIMBERLY. In the locals?

Mr. GARDNER. Anywhere.

Mr. WIMBERLY. Yes, sir; Mr. Brooks just stated to you that our people have passed upon it.

Mr. GARDNER. That is, the general proposition of a postal savings-bank bill?

Mr. WIMBERLY. We understand what our people want, and we are pulling for it. Mr. Weeks, you understand that, do you not?

The CHAIRMAN. That is what I want to be sure of.

Mr. WIMBERLY. I am sure we understand what our people want, and we are here pulling for it.

Mr. FASSETT. Judge Gardner was trying to find out if it was discussed in any of its several bearings?

The CHAIRMAN. You understand, you and Mr. Brooks have stated that your people are in favor of postal savings banks. What Mr. Gardner wanted to find out was whether you ever discussed at your meetings the questions of leaving the money deposited at local banks, or what disposition should be made of the money.

Mr. WIMBERLY. I doubt if the members of our union understand that.

The CHAIRMAN. That is an answer to that question.

Mr. WIMBERLY. I doubt if they understand that, but they will understand it. We will make them know it.

There is one idea I wanted to urge upon the committee. The cry is now, "Back to the farm; make more provisions and more clothing for the people in the cities." The Government has been pretty liberal with us. It has raised appropriations for agriculture to twelve millions, and now you have increased that this session, or will, we doubt not. But, gentlemen, if you want people to get back on the farms and be contented, they must have some of the privileges and enjoyment of life that the people in the cities have, and we are reaching out to get those things. We want to be in contact with all the world; every man in the world our neighbor. Draw this contrast: Commerce, manufactures, and agriculture. The army and navy are to sustain the first two. Appropriations for army and navy about $400,000,000; appropriation for agriculture, $12,000,000. We want, in order to build up our country, good roads and telephones, and rural delivery, and parcels post for rural delivery, and postal savings banks, and so on; all those good things, and give them to us just as fast as you can, and we will thank you. I am much obliged to you.

(Thereupon, at 5.40 o'clock p. m., the committee adjourned until to-morrow, March 17, 1910, at 10.30 o'clock a. m.)

COMMITTEE ON THE POST-OFFICE AND POST-ROADS,
HOUSE OF REPRESENTATIVES,
Thursday, March 17, 1910.

The committee was called to order at 10.35 a. m., Hon. John W. Weeks (chairman) presiding.

STATEMENT OF MR. ALLEN W. JOHNSTON, OF SCHENECTADY, N. Y.

The CHAIRMAN. Mr. Johnston, whom or what do you represent?

Mr. JOHNSTON. I am here as the treasurer of the Schenectady Savings Bank, and also chairman of the law committee of the savings-bank section of the American Bankers' Association, although I would say, in the latter connection, that I am not delegated by our committee, but simply come here at the request of Mr. Teter.

Mr. Chairman, we have been impressed with the idea, as I have talked with my associates, that this committee of inquiry realizes the importance and gravity of bringing into connection with the United States Government such a new and unusual feature as the entering by the Government into a business that is as widespread, has so much back of it to show its utility, its help, and its accommodations to the people of the country, and its effectiveness in what it was organized for, as the banking business. And as our Government is undoubtedly issuing and providing the best means and the best facilities for its people in every respect, we feel the importance of showing, so far as we are able, the disadvantages to the people of a law such as would be brought into effect by the passage of this present postal savings-bank bill.

There have been many points which have been brought up by those who have preceded me, and it will be my effort to avoid those that have been fully explained, yet there are a few of the points in connection with those that perhaps this committee might like to have more fully explained, as I have listened to the hearings. As treasurer of the Schenectady Savings Bank, I can give you some information that I believe will be of help to you in your consideration of this measure.

Schenectady is a city of about 75,000 inhabitants. Its population before the General Electric Company came into the city was about 18,000, and within about eighteen years it has grown to be a city of 75,000. You can readily understand that a large part of its popula-

tion are operatives and people who would naturally put a part of their earnings in a savings bank. The Schenectady Savings Bank is the only savings bank in the city. We have about 24,000 accounts. Of that number 14,000, in round numbers, are under $100 in total balance amount. About 18,000 of the 24,000 are in the neighborhood of $125; that is, between $100 and $125 would comprise 18,000 of the entire number of accounts. To make it a little plainer, 18,000 are less than $125, or about that. The latter is something of an estimate, while the first is an actual count. So that the average deposit is about $265, as we have $6,300,000 in amount of deposits. If at any time there should be such a situation as comes sometimes to banks in industrial communities in the way of bank runs, or for any similar reason, providing a postal savings bank was established in our town, there would be the possibility of those 13,000 or 14,000 accounts being drawn out and deposited at once in the postal savings bank under the provisions of this bill. While we do not look forward to or anticipate such a condition as that it is a possibility which is, we consider, enhanced by this bill.

The CHAIRMAN. What rate of interest do you pay?

Mr. JOHNSTON. Three and one-half per cent.

The CHAIRMAN. Have you always maintained that rate?

Mr. JOHNSTON. We have never paid 4 per cent excepting on particular amounts.

The CHAIRMAN. Is that the prevailing rate in New York State?

Mr. JOHNSTON. It is in our neighborhood—our own vicinity.

The CHAIRMAN. What is the prevailing rate?

Mr. JOHNSTON. In New York City the rates are practically all, with the exception of two or three large concerns, 4 per cent. In Albany they are 4 per cent. In Troy, Utica, Schenectady, and Amsterdam, which is in our immediate vicinity, they are 3½ per cent; and farther west, in the western part of the State, they average 3½ per cent.

The CHAIRMAN. These banks are mutual, as they are in New England?

Mr. JOHNSTON. All savings banks in New York State are mutual savings banks.

I have taken some pains to inquire among such farmers as I have met and had an opportunity to talk with, how they consider this bill, and I have found, as a rule, that very little attention has been given to it in our vicinity, so that they were not able to speak of it intelligently. I have asked one or two of them if they would deposit in a postal savings bank themselves—several of them—and they have said no, that they would not deposit themselves. I asked one man to give some reasons why he thought it might be a good thing to have a postal savings bank. "Well," he said, "I don't know; but suppose a man was inclined to get intoxicated—perhaps was a little that way—and he should be in town and find that he had, after banking hours, a little money in his pocket that he might waste, or that would go into the saloons, that he would have an opportunity to put that in a savings bank." That is the most reasonable proposition that I have heard there, in their view, in support of the postal savings bank. I have not received intelligent ideas as to the advantages from the people that I have talked with.

The CHAIRMAN. How many people do you suppose you have talked with?

Mr. JOHNSTON. Well, I should think possibly 100.

The CHAIRMAN. Your own depositors?

Mr. JOHNSTON. Quite a few of them; a few are depositors, or people I have met. I kept account of 50 of them, and of those I do not think that more then 20 were depositors.

Mr. MURDOCK. Do you offer any particular inducement for a man to become a depositor in your bank?

Mr. JOHNSTON. In the way of advertising and inducements—we are not allowed in New York State to state what we will pay. We can state what we have paid, but we are not allowed in New York State to say what we will pay, for the reason that we must declare our percentage to depositors, or our dividends, after we have earned them and not before; so that we say what we have paid, 3½ per cent. Then the inducements are such as are usually given in the way of advertising for savings bank deposits; the advantages of having money for their children, for the buying of homes and such as are usually given.

Mr. MURDOCK. Have you ever furnished small metallic receptacles in which small savings could be accumulated and afterwards be deposited?

Mr. JOHNSTON. We have not.

Mr. MURDOCK. Have you employed any means of that kind?

Mr. JOHNSTON. We have not.

Mr. MURDOCK. Has it been your experience, in the savings bank business, that after a man has become a depositor that he is apt to remain a depositor; in other words, that he has acquired a habit of depositing his money?

Mr. JOHNSTON. Yes; it is very largely an educational affair.

Mr. MURDOCK. Then, you do make an effort to have people get in the habit of depositing?

Mr. JOHNSTON. We do so.

Mr. MURDOCK. And you do that wholly through advertising?

Mr. JOHNSTON. Principally; yes.

Mr. MURDOCK. Don't you believe if we had postal savings banks, that with the added sense of security in the minds of a great many citizens, that we, as a government, would develop quite a large element of depositors among people who are not now depositing and whom you do not reach?

Mr. JOHNSTON. Very likely. But in that connection I am unable to see how you can represent the superior security of the Government without discriminating against the banks themselves; and the fact that our Government is formed from the integral parts of our country, from each state organization, and from its people in industrial pursuits—you can not endanger the banking interests without endangering the Government of the United States, which is founded upon and which is composed of it. There has been no interest in the country since its organization that has done more for the upbuilding of the communities, for schools, and all purposes which enterprise in the hands of the people can reach than the banking and moneyed interests, which are in one sense the sinews of the country.

Mr. MURDOCK. The claim is frequently made by the adherents of the postal savings-bank plan that the Government would develop in society, among the small wage-earners, a depositing class who would be actuated in making original deposits in the postal savings

banks largely by a feeling of greater security in the Government than in their bank; and a feeling that after the habit had been instilled in that character of person, of depositing, that after he had accumulated, say, $100 or $150 and had become a habitual depositor that he would see the benefits of going into a local bank, not a government institution, which would give him higher rates of interest than the Government, and availing himself of that. Do you believe that any such development as that would follow the establishment of postal savings banks?

Mr. JOHNSTON. Such a development, in my opinion, would follow to a certain extent, but along with it would be the teachings of the United States Government that the banks would be insecure, which, when the deposit was a large amount, would weigh quite heavily upon the depositor, from the fact that he had been taught that the banks were comparatively insecure, and he would hesitate after that about putting a large amount in the bank, for he would have been educated to consider them practically unsafe.

Mr. DODDS. Will you please state whether there are any savings banks in the State of New York outside of the mutual banks?

Mr. JOHNSTON. None; no, sir. Allow me to say that technically "savings banks" is the term that we use in the State, but there are savings departments in national banks and also in the state banks and the trust companies where they take savings, and they are all called, in our State, savings banks, but they are not allowed to be called so by the state law.

Mr. DODDS. What are the distinguishing characteristics of your mutual savings banks in New York?

Mr. JOHNSTON. They can not do any other business.

Mr. DODDS. As compared with commercial banks?

Mr. JOHNSTON. They can not do any commercial business by law. They are subject to state examination, and they can not pay more than 5 per cent interest. They can not allow what is called a "check account," and the depositor's pass book must accompany every deposit. Those are the distinguishing features of the savings banks, with the exception, perhaps, that the trustees of those banks can not receive any salary. There is no stock, and they are under peculiar laws as regards their investments, which are very strict. They must invest in a certain class of first-mortgage bonds prescribed by law. They can invest in real estate to 60 per cent of the valuation of the real estate where it is called improved real estate. In unimproved real estate they can only invest to 40 per cent.

The CHAIRMAN. You do not mean the purchase of the real estate, but you mean to loan on real estate?

Mr. JOHNSTON. Yes, I should say "loan," more properly. We call it investment in New York State, and a loan where it applies to mortgages.

Mr. DODDS. Those same conditions are imposed upon the savings departments of the commercial banks, are they?

Mr. JOHNSTON. No, sir; they are not. Really, in New York State it was not intended evidently from the law that either trust companies or national banks should take savings deposits, but, as the law is not explicit, those banking institutions have taken advantage of it, and are taking savings deposits, practically all of them.

The CHAIRMAN. What is the limit of deposit in New York savings banks?

Mr. JOHNSTON. Three thousand dollars.

The CHAIRMAN. Does that include accumulations of interest?

Mr. JOHNSTON. It includes accumulations of interest; that is, interest may run over that, but it is the unwritten law, you might say, that they shall not pay interest on any amount over $3,000, but the interest can accumulate over that, but no interest paid on it. That is the understanding by the ruling by the state department.

The CHAIRMAN. That is, if the accumulations had amounted to $3,500, you would only pay interest on $3,000?

Mr. JOHNSTON. Yes, sir.

The CHAIRMAN. How much reserve are New York savings banks required to keep?

Mr. JOHNSTON. The New York state savings banks are permitted to hold 10 per cent in what is called "available funds." That may be either in cash in the bank or in deposits in trust companies, or with other banking institutions in the State. Our savings bank has within the past six years—about six years—loaned $2,000,000 to the people of Schenectady, mostly for home building, and largely among our own customers. Our investments are, of course, in the securities prescribed by law, in town, county, and municipal bonds of various descriptions. We find that it is needful for us to keep this—we need this 10 per cent, or a good portion of it—on hand to to feel secure against any calls that we might have in a city that was so largely industrial.

The CHAIRMAN. You have the privilege of refusing to pay deposits, I suppose, under the law?

Mr. JOHNSTON. Yes, sir.

The CHAIRMAN. For a stipulated time?

Mr. JOHNSTON. We have what we call a time limit; we can call upon them to wait.

The CHAIRMAN. Have you ever taken advantage of that?

Mr. JOHNSTON. We never have; no, sir; except unless you construe during the currency scarceness of a couple of years ago we were obliged to give the people in some cases of large amounts part in check, which they readily obtained the money on at other places.

The CHAIRMAN. Is there a considerable farm population in Schenectady?

Mr. JOHNSTON. Yes, sir; I should say at least 25 or 30 per cent.

The CHAIRMAN. To what extent does that population deposit in your bank?

Mr. JOHNSTON. Quite largely. I don't know that I can give you the percentage, but very largely our depositors to quite an extent—well, I might guess at 35 per cent.

The CHAIRMAN. Do they deposit to the same extent that native-born citizens do?

Mr. JOHNSTON. Fully as large; yes, sir.

Mr. COX. What would be your judgment as to whether or not the people would come and deposit, to a great extent, in postal-savings banks? Have you any judgment upon that proposition?

Mr. JOHNSTON. I believe there would be some, who would see a notice possibly in the post-office, and who would deposit there without

looking any further. I presume that there are some foreigners who have been in the habit of going to the post-office more than they have to any other place, and who would go there and put their money in where they expected to leave it only for a comparatively short time, and in case of agitation among the foreign element I have no doubt whatever but what they would deposit there to a large extent in preference to a bank.

The CHAIRMAN. To what extent do you think the immigrant who is coming here now has been a depositor in the postal savings banks in the country from which he emigrates? Have you any information on that subject? Just let me explain a little further. It is frequently stated that these people have been in the habit of depositing their money in postal savings banks at home, government banks, and that they would continue that habit here, when perhaps they would not deposit in a commercial or even a mutual savings bank. Have you any information upon that subject?

Mr. JOHNSTON. I have this information, which I learn from reading, that all banks in monarchical forms of government are, to all practical purposes, government banks; that the people are about evenly divided there as to deposits in one or the other—the postal bank or the other. That is especially so, I believe, in the British Empire—the British Islands.

Mr. COX. We have heard this statement, and I will ask you as to how it would apply to depositors in your bank. Supposing that the postal savings-bank system was established by the Government of the United States. Then supposing that the people take to the postal savings banks as a depository, as you say they have taken to your bank as a depository. What effect, in your judgment, would that have upon the banking interests of the country?

Mr. JOHNSTON. The immediate effect would be that the trustees of our bank, in my judgment, would begin to consider the payments which might be made upon $2,500,000, in round figures, of mortgages, which are held largely by our depositors and in our vicinity—mostly in our State. They would then also begin considering the best proposition from time to time which they could bring about in regard to realizing on all of their securities.

Mr. COX. Now, you have stated the probable effect upon that line of banks. Could you, or would you, venture any opinion as to what probable effect it may have upon other national banks?

Mr. JOHNSTON. The effect would be apt to reach out of the savings department into the commercial business of the bank, because, as a rule, savings banks are considered especially adapted for small savings and give a full measure of security for a lower rate of interest than that given by the commercial banks, which take more risks at a larger rate of interest.

Mr. COX. Now, you have stated very plainly what, in your judgment, the effect would be on your business and upon the banks generally. What, in your judgment, would be the ultimate effect upon the banking interests of this country in the event that the Government of the United States engages or enters upon a full-fledged postal savings-bank system?

Mr. JOHNSTON. I believe that the Government would find itself directly in antagonism to the States, the individual States, of the United States. That would be the most serious condition. The

banking business, of course, would run down to a certain extent, but the relations of the Government to the States would be very much strained.

Mr. COX. Now, pursuing that line of thought a little further, if I can make myself plain, and without arraigning any section against another section in this country, suppose that a postal savings-bank system is established along the lines proposed in the pending bill, with the funds to be invested in government securities, and with the right, as given in the bill, to the depositors to deposit $100 a month, or an average of $500 per year. What effect would you say such a system as that would have upon the banks, particularly in the West, in the event that a full-fledged system of postal savings banks should be put in operation to take deposits at the rate of $100 per month and an average of $500 per year, and with those funds being invested in government securities. What effect, in your judgment, would that have upon the currency in the West in driving it from the banks?

Mr. JOHNSTON. Do you mean as provided under the specifications of this bill, whereby the money would be turned from the postal savings banks into the banks?

Mr. COX. Yes; and then reinvested in government securities.

Mr. JOHNSTON. It would tie up, to a certain extent, the means of private enterprise.

Mr. COX. Now, why?

Mr. MURDOCK. How would that work out?

Mr. JOHNSTON. The money which the banks would get from the Government, in my opinion, would be of such an uncertain duration that the bank could not take it in only small amounts to great advantage, considering their percentage is so high in the West; or else, if they took it in large amounts, they would be obliged to send it to New York or Chicago, or some great commercial center, in order to realize immediately the interest that the Government would ask for the use of their money. They would have to put it to a great extent, in my opinion, on what is known as call money—in that shape. And therefore they could not, to great advantage, invest it in bonds, for the reason that they might at any time have a call from the Government for that money under the provisions of this bill. They could invest a portion of it in bonds if it went into their general assets. If they put it with other money, if it is to be kept separate and considered as one part, they would have to be very careful about the time limit of its investment.

Mr. MURDOCK. Because it is subject to call.

Mr. COX. Now, you struck a moment ago, in my humble opinion, a very vital spot, when you said that money in any community was the very life of any locality, and was needed, in every locality, in the development of the country. And each section of the United States, if I understand anything about it, needs at different times in the year an extra large amount of currency with which to transact its business. For instance, the South in certain seasons of the year needs a lot of money, actual currency, to handle the cotton crop. The West needs an extraordinary amount of currency in certain seasons of the year to handle the wheat and corn. Now, what would be your judgment, if you have any judgment upon it, in the event that a postal savings-bank bill is enacted into law, along the lines suggested here, giving to the depositor the right to put $100 in the bank each month, and

an average amount of $500 per year—what effect do you believe that would have upon the western country in having a tendency to withdraw the actual currency from the western country, and thus crippling them in getting actual currency in times of stress when they need it?

Mr. JOHNSTON. It would make them more dependent upon the money centers.

Mr. COX. Why?

Mr. JOHNSTON. Because they would be pressed for money and must get it somewhere. Also I learn, from correspondence, in some of the far western States and the Southern States—especially in the far West—that the savings-bank proposition there is not so great as it is in the Middle States. The reason given me for this was that people, when they get $100 usually invest it at once in land, and that $100 goes into the usual money courses.

Mr. MURDOCK. It is true that under the present banking system of the United States the surplus money in the West is sent East to be loaned on call, is it not?

Mr. JOHNSTON. Not from the far West.

Mr. MURDOCK. What do you mean by the "far West?"

Mr. JOHNSTON. West of the Mississippi.

Mr. FINLEY. And when it is sent it is loaned for a short time during the year?

Mr. JOHNSTON. A short time as a rule; so I understand it.

Mr. FASSETT. He does not mean that money is not sent to New York from farther west than that—it is not sent there as a matter of practice for deposit for the purpose of drawing interest, but from beyond the Mississippi for the purpose of exchange.

Mr. MURDOCK. That is a very important statement, because I think the belief is prevalent, not only througout the South and West, but in Congress, that it is the practice of western and southern bankers to habitually send money into New York City for loan on call.

Mr. JOHNSTON. When you speak of the South, my information is not so full there, only in a general way, and that is that I understand that the South, unless it is very recently, have more use for money in their enterprises than they are able readily to procure. The rapid growth of the South at this time is calling for a great deal of money. Therefore there are commercial centers South as well as there are in the Eastern and Middle Western States, and that money is going more and more to those centers, as I understand it. And it is also the case in the far West, that the money which at one time went more frequently to New York is going now to the large commercial centers of the Middle West.

Mr. MURDOCK. On that point: We have in the West a crop-moving period. When our crops begin to move we call upon the East for money. In the old days it was my understanding that when we called upon the East for money to move our crops that we borrowed that money from the East. The opinion is prevalent throughout the West at this time that in this day and age of the world when we call upon the East for money to move the crops we call upon our own money which we have sent East to loan. What do you have to say upon that proposition? Is that a fallacy or a fact?

Mr. JOHNSTON. I don't know to what extent—I could not give you an idea. I am not sufficiently familiar with that process to give you any accurate idea about it. But I feel, in my mind, from my reading, and such information as I have, that that is decreasing, that system, continually; and that the supply comes more and more from the large money centers, from the larger money centers, of those immediate localities.

Mr. FASSETT. Those are reserve cities.

The CHAIRMAN. Mr. Johnston is a savings-bank man, and is not a national banker in a large city.

Mr. MURDOCK. However, I think that is one of the essential elements at issue in this postal savings-bank proposition, the movement of money across the country and back again, and I was trying to locate to whom this money belonged in the first place.

The CHAIRMAN. I will put in the record just exactly what does happen in such cases. As I understand it, country banks must keep their reserves in reserve or central-reserve cities or in their own vaults. Those reserves which are deposited in reserve cities, to a large extent at least, go to the central reserve city. There are three central-reserve cities, so that ultimately a large part of a bank's reserves land in New York or Chicago or St. Louis. In addition to that, the country banks, when they have surplus money which they can not loan to good advantage at home, or which may be required in a definite time or in emergencies, instead of loaning it to their own customers, to those from whom they could not get it if it were needed without causing distress among their own depositors, send it to reserve centers and have it loaned for them by their reserve agent. As a result there is a large amount of money loaned in New York, Boston, or Chicago for country banks, on demand. So that Mr. Murdock's question can be answered in both ways; both statements are true. Country bankers are loaning money at times in the reserve and central-reserve cities; on the other hand, if they have not sufficient resources, they borrow of their reserve correspondents. Every large reserve-city bank is loaning at times to some of its correspondent banks to enable them to respond to their own local needs.

Mr. MURDOCK. Right in that connection, would not this happen in regard to deposits in postal savings banks? If money was deposited in a postal savings bank out West during a period when the money was not needed in the West, and when there was a surplus of money there—not the crop-moving period—would not the money then naturally be away; while, on the contrary, during the crop-moving period, when the money was needed in the West, would not that money deposited in a postal savings bank naturally stay there?

The CHAIRMAN. Quite likely that might be the case.

Mr. GARDNER. Mr. Chairman, you have described the times and conditions when the money goes from the country banks to the central reserve city. Is not this it, that it goes not entirely to the central reserve cities, but to the places where that security can be gotten that makes its return at the date wanted an absolute certainty?

The CHAIRMAN. That is the experience of bankers, without any doubt.

Mr. GARDNER. That is the reason for it.

The CHAIRMAN. It does not always mean that the security is any better than the security the bank would be able to get at home. That is not always the reason for sending it away. If Mr. Murdock had $10,000 which he did not want to use, but might want to use in two months, he would not be likely to put it in a local bank in Wichita, or

at least not in his own bank for fear that if a panic followed, it would distress his friends if he drew it out, but if he did put it in his local bank he would tell——

Mr. MURDOCK. I wish I had the $10,000.

The CHAIRMAN (continuing). The bank that he was going to want that money within sixty days, in which case the local banker would not loan the money in Wichita, especially if he thought that the times would be troublous, but he would send it to a reserve correspondent and ask him to loan it, or he would take the 2 per cent interest, which his reserve agent would pay, because if the local bank loaned that money in Wichita, and hard times, or strained times, should come on, then he might not be able to get it when Mr. Murdock called for it. But if he loaned it in Chicago or New York, directly or indirectly, he would probably be able to get the money when wanted, and he would not be obliged to embarrass his customers or friends or neighbors by calling their loan.

Mr. JOHNSTON. I may state further, regarding my knowledge and experience of the effect of postal savings banks, that as chairman of the law committee of the savings banks section of the American Banker's Association I have had within the past two years to correspond with banking authorities in various States of the Union—practically all of the States and outlying territories of the Union—and invariably they are working on laws for the safeguarding and segregation of savings deposits. In fact, I do not know of one State where there is a banking law but what they are at work with the help and advice of the state or territorial banking authorities to perfect laws. The National Association of State Bank Superintendents have voted at their conventions unanimously in favor of the segregation and safeguarding of savings deposits, and they are at present, and have been for some time past, working intelligently and vigorously with the various banking authorites, banking associations, governors of the States, and legislatures, to bring about this safeguarding and segregation. Through this correspondence I have gotten various opinions from various kinds of banking institutions regarding this subject, and as to what they thought was proper in the investment of securities for the purpose of safeguarding and segregating. They are thoroughly alive to the needs of perfecting the banking system, and they find it like all other systems of business, that if it grows it needs constant attention, and that where such attention is given the outcome is most advantageous; that people are ready in the various States to give attention to the subject, and that they are proud of their banking institutions, realizing that they are, in a measure, the bulwark of our country, and that they wish in every respect to make them first class as a safeguard for deposits, and that they do so without regard, in a large measure, to any political bias of any kind.

That has been my experience in my connection with the American Bankers' Association, and my experience of forty years as a banker in various departments of the banking business and two years as bank examiner in the State of New York. I feel, therefore, that the introduction of a bill in the House of Representatives such as the bill which has passed the Senate is one of great moment, for the reason that it brings up questions that are being advanced by the banking interests of the country, regarding a discriminating idea of the

Government, which has been made a Government of security, a Government to be relied upon, and the best Government on earth, through the privileges and the means of private investment which has been held by the people of the country. And it is of such a serious nature that we believe such an intelligent body as we are giving our information to-day will not look upon the fact that we are bankers in such a way as to deprive us of our patriotic ideas which have been bred into us in the schools of this country, and in our associations of life, in which the banking interest has probably been as prominent in its effect for good as any other interest, at least, in the country.

The CHAIRMAN. Now, Mr. Johnston, what have you to say to this proposition. It has been the practice of the Government for a great many years to manufacture envelopes, to emboss stamps on these envelopes, and to print a return card on the envelope. That practice has been objected to by envelope makers and by printers. The objection is made by a great many people that the Government should not come into competition with private capital in any line of business. Do you think that that same argument would apply in this case; that bankers—assuming that they are considering this entirely from selfish motives—would have a right to complain if the Government went into the postal savings-bank business in competition with a similar business which they are conducting?

Mr. JOHNSTON. It seems to me, Mr. Chairman, that that proposition and the connections, are not analogous. The putting of stamps on the envelopes is a little additional work upon the envelope, just as the putting of the gum on the envelope is, but it is a matter that I am not an expert upon, and do not wish to pass any particular opinion upon as regards the rights of the printers in this matter. But I do not consider them in any way analogous to the proposition of the Government entering into the banking business.

Mr. COX. I do not think that the Chairman's question, with all due deference to him, would make it appear that they are analogous, but I think I can strike an analogy between the two. The question put to you is this: That there is a protest all over the country against the Government going into the envelope-making business, and it may have some merit. Then, as the people along that line objected to the Government going into the envelope business, the inquiry turns upon this, as to whether or not, from your viewpoint, you should have a right to object to the Government going into the banking business?

Mr. JOHNSTON. As I say, and I don't see that I can give any better answer, notwithstanding the fact that you have brought it up in that way; and perhaps I do not look at it just as you do, and perhaps the way I look at it is not the way it should be looked at. But I can not see where there should be any analogy in a banking business, which is a deposit business, and a business which is a transit business—just the opposite end of it. The transportation of letters under the Government must be secret, and the letters must have an envelope. It is a necessity for the carriage of the letters; it is a part.

Mr. LLOYD. It is not necessary that the Government should furnish the envelopes?

Mr. JOHNSTON. Not necessary, but that is a matter that I am not familiar with.

Mr. LLOYD. And the greater number of envelopes are not furnished by the Government.

Mr. JOHNSTON. Those with the stamp are purchased from the post-offices.

Mr. LLOYD. Yes; they are obliged to be; you can not get them from any other place.

Mr. JOHNSTON. That is a matter, as I say, that I am not acquainted with, and I don't know that I could give you any valuable information upon it.

Mr. FASSETT. I think the question is this: Do you think that it is proper for the Government to compete in any business—the making of envelopes, doing a banking business, the insurance business——

Mr. MURDOCK. Or forwarding money orders.

Mr. JOHNSTON. As I have read the Constitution of the United States, I am satisfied, in my mind, that the writers of that Constitution never contemplated the United States going into any private enterprise, or any private business, in competition with the people of the land. And the fact that they did so, I consider was wise—was done wisely.

Mr. SMITH. Do you think that the provision in the bill requiring the banks, upon receiving postal deposits, to pay a rate of interest, say 2¼ per cent, will affect the general rate of interest on bonds? Will country banks raise their rate of interest because they have to pay 2¼ per cent for these deposits?

Mr. JOHNSTON. I don't know that I could give an opinion upon that; I don't think I can.

Mr. SMITH. My correspondence comes largely from small country banks, that is, those who have written me, and who do not pay interest on deposits. They do not run a savings bank department, but they have a considerable amount of neighborhood money in a town, which they do not pay any interest upon. Now, they are not getting rich beyond the usual run of things for the responsibility that they take. And if they must pay 2¼ per cent for this same money which they fear would be withdrawn from their banks and put in post-offices, and come back to them loaded with this charge, would indicate that they would be obliged to increase the local rate of interest. Do you think that is true?

Mr. JOHNSTON. Why, I don't know. It would depend largely on the locality in which the money was deposited, in my opinion. For instance, if it was where it was difficult to get money to large centers, and get it back again, the banks holding that money might be induced to let it out a little more reasonably than otherwise.

Mr. SMITH. But to give you an illustration. I had a very intelligent letter some time ago from a country banker, who said that his deposits ran about $100,000, so you see that his bank was a small country affair. He said that not more than $10,000 of that was checked against regularly, that the other $90,000 was simply farmers' money that the farmer did not use for current expenses, and made it out of the sale of butter, eggs, and products of the farm. Now, he feared very much that if there was a postal-bank law, that these farmers would take their money out of his bank and put it in the post-office, because they would think that the Government was safer than his bank, and then the Government would turn it back to him at a rate of 2¼ per cent interest, and he would be obliged to recoup himself by charging the people of that community a higher rate of interest. That is a question that has pressed as hard upon my mind for

consideration as almost any other question connected with this subject. I am not referring to large city banks, which can take care of themselves.

Mr. JOHNSTON. It seems to me that in some degree that would take place, and that the principle involved there is correct to a certain extent.

Mr. SMITH. I notice that the country banks are very much more afraid of this law than the larger city banks in the West.

Mr. MURDOCK. Now, getting back to the postal savings-bank proposition proper. We have statistics in this committee which show that in Austria, in the postal savings-bank institutions of that country, 44 per cent of the depositors are children, students, and about 14 per cent are artisans; that about 4 per cent are married women and widowers. Now, in your experience in the savings-bank business, could you give us any parallel figures as to that classification? What proportion of your depositors are children and students?

Mr. JOHNSTON. Our proportion would vary, for this reason, that we do not take amounts of less than $1. In the foreign countries they have, in connection with their banks, a stamp process by which they take small amounts under a dollar, which would naturally bring into their banks the accounts of children more than in our bank. I don't know that I could give you any idea of the percentage; I have never figured it out.

Mr. MURDOCK. Is it as much as 10 per cent, for the children?

Mr. JOHNSTON. I should say so; that is, as beneficiaries under trustees, or in their own name—8 or 10 per cent.

Mr. MURDOCK. Don't you think it would be possible, in that connection, if we establish postal savings banks in this country, that you would develop a far greater percentage of habitual depositors among children than we have now, and that your business would demonstrate it?

Mr. JOHNSTON. I don't consider that our business would run parallel and increase in the future as a banking business if there was a postal savings bank, in the degree in which it has been, for the reason that even with a monarchial form of government, where the government controls the banks, it has been found that, as a rule, what we call private banks have decreased as the postal savings-bank proposition has advanced.

Mr. MURDOCK. Isn't it true, particularly in Canada, that the existence of the postal savings bank has not resulted in the diminution of deposits in the chartered banks, but that, on the contrary, in Canada the deposits in the chartered banks have all the time increased? Would not the same thing follow in this country? Isn't it a fact that if this country should develop a large element of small depositors, that those deposits, after the development of the habit, would afterwards go into your bank in order to get the higher rate of interest?

Mr. JOHNSTON. As to the advantage to our banks, I should say that the banks would rather prefer to have them go along as now than to be brought into competition with postal savings banks and to take what was derived from the postal savings banks.

Mr. MURDOCK. Waiving that preference as to the process of getting these deposits, won't you admit that postal savings banks would

develop in this country a large number of depositors among people who do not now deposit at all?

Mr. JOHNSTON. The development which is going on in that direction would go on fully as freely, in my opinion, if the Government would leave the banks to continue their business as they are continuing it now, for the reason that the educational process which would be brought about, in the first place, would be largely among foreigners and people largely who expected to stay only a short time in this country, and that would gradually grow and have acceleration as the rate of interest would rise in the government banks, or post-office banks, as it has risen in other countries. I believe that with only one or two exceptions there has never been a decrease, but always an increase, in the rates of interest. As the government found emergencies for the use of funds, they have increased the rates in the postal savings banks so as to get hold of those funds.

Mr. MURDOCK. My understanding of that matter, which is very largely from the testimony of Postmaster-General Meyer, when he was Postmaster-General, is that that was not true as you have stated it; that the rate of interest in postal savings banks has not invariably increased, but in many cases had decreased, and I think he stated, notably, Italy.

The CHAIRMAN. The statistics would show that; we have those.

Mr. JOHNSTON. That would be shown; and I know of but one instance, and that is in the case of Canada.

Mr. MURDOCK. Is not the matter of savings, as such, largely a matter of education?

Mr. JOHNSTON. I believe it is.

Mr. MURDOCK. Isn't that the explanation, in large part, why New York and New England to-day have so large a proportion of the savings of the country?

Mr. JOHNSTON. I believe it is.

Mr. MURDOCK. Isn't it a fact that we haven't developed that in the West largely because we have not attempted to educate our people in the savings line?

Mr. JOHNSTON. That would be one reason. Another reason would be that they have not segregated and safeguarded their savings deposits as they have in the East. Another reason would be that they have immediate use for money there which is not so immediate in the East, in the development of the country.

Mr. MURDOCK. You may have covered this point before, but I am anxious to find out what there is in it. In your locality what proportion of the money is hidden away and does not get into the channels of commerce?

Mr. JOHNSTON. Very little. I have in mind one case of a woman—but before I give that instance I would like to say that I haven't any more means of knowing what is kept in stockings and safe boxes in this country than in the old country, and that if you should undertake to bring a parallel of money hidden by miserly people in London and miserly people in New York, I would be willing to put my guess that you would find more in London than you will in New York.

Mr. MURDOCK. But any estimate that you might make as to the portion of money hidden away would be pure guesswork?

Mr. JOHNSTON. I can give you one instance. I know a lady who is a widow, quite aged, and with some of the peculiarities of quite aged people. She had a box in which she kept her funds with a trust company, government bonds that she asked me about, and I know that she used to come to our bank to get government money, and she would want government money with the word "gold" written on it, yellow bills; and that she would put them in there, as I learned afterwards, in the safety box with the trust company, right alongside of her government bonds, on which she was drawing interest of 3 per cent. That is the only case that I know of in our city.

Mr. FINLEY. Is it not true that savings banks do not increase and thrive in a section of the country where the rate of interest is high to the same extent as in the East, where the rate of interest is low?

Mr. JOHNSTON. That is undoubtedly true.

Mr. FINLEY. You are connected with a savings bank?

Mr. JOHNSTON. I am treasurer of the Schnectady Savings Bank.

Mr. FINLEY. What is your capital?

Mr. JOHNSTON. Our deposits are $6,300,000.

Mr. FINLEY. But what is your capital?

Mr. JOHNSTON. In New York State we have no capital. They are all mutual banks under the laws of the State.

Mr. FINLEY. Do you not have building and loan associations, and is that what your bank practically is?

Mr. JOHNSTON. Not exactly that, because we have them also, and they are quite different.

Mr. FINLEY. Do you have trustees?

Mr. JOHNSTON. Yes, sir.

Mr. FINLEY. How many?

Mr. JOHNSTON. Thirteen in our bank.

Mr. FINLEY. What is the usual practice?

Mr. JOHNSTON. Thirteen I should say would be a fair average.

Mr. FINLEY. For the whole State?

Mr. JOHNSTON. Yes—13 to 15. Perhaps 15 would be a better average.

Mr. FASSETT. I think you might explain that the savings-bank system of New York will not permit the distribution of profits to stockholders.

Mr. JOHNSTON. No. Now, with respect to the education in savings, the idea of savings, and the advantages to be derived from them, and the opportunities offered, comes largely from the Eastern States, the New England States, and New York. The idea of mutual savings banks was a semicharitable one—the idea of furnishing without compensation trustees to guard and take care of savings.

Mr. MURDOCK. You say that your deposits are $6,300,000. How many depositors have you, numerically?

Mr. JOHNSTON. Twenty-four thousand; and of that number, and as I repeat, 14,000 are under $100.

Mr. FINLEY. What is the largest sum that you receive?

Mr. JOHNSTON. Three thousand dollars.

Mr. MURDOCK. Do you issue certified checks?

Mr. JOHNSTON. No, sir; we do not.

Mr. MURDOCK. Do you issue any sort of a time-deposit slip?

Mr. JOHNSTON. No, sir; nothing of the kind. They are not allowed under the New York state law.

Mr. MURDOCK. How is your interest computed to the depositor who breaks the bulk of his deposit?

Mr. JOHNSTON. His money must be in the bank at the time of the casting of the interest, or, rather, that the dividend is put on the book.

Mr. MURDOCK. And is it computed on the amount on deposit at the time of the computation?

Mr. JOHNSTON. In proportion to the time during the six months that it has been in the bank.

Mr. MURDOCK. So that it is a minimum upon which to base it?

Mr. JOHNSTON. Yes, sir.

Mr. SMALL. Mr. Johnston, there are some who express the opinion that Congress ought not to provide for postal savings banks unless they would subserve or promote some governmental function. Can you suggest any governmental function that would be met by the provision for postal savings banks?

Mr. JOHNSTON. The security is, I believe, considered the idea; that is, that under any circumstances whatever, if the money was put there, they would receive it.

Mr. SMALL. That is with respect to the security of the deposit. I am speaking of any functions which devolve upon Congress and the legislative department of the National Government, or in the administration of the Government itself, whether any of those functions or duties would be subserved or promoted by the establishment of postal savings banks.

Mr. JOHNSTON. Perhaps to enlarge a little upon my answer would answer your question. The Government would necessarily, in paying back to a depositor a deposit which had been lost through defalcation or any other means, have to tax the people of the United States to pay it.

Mr. SMALL. That is simply a matter of administration for the greater safety of these deposits which would be attracted. I am speaking about the governmental function, the duty of the National Government, as contradistinguished from state governments or from private or corporate enterprises. Do you believe that the governmental function would be subserved or promoted by savings banks? Can you give us any suggestions upon that?

Mr. JOHNSTON. It would be using the Government's paraphernalia, if that is a proper word——

The CHAIRMAN. Now, Mr. Johnston, if the money were invested in government bonds, it would be promoting the Government's function, would it not? That is what Mr. Small is trying to get at. In what way would some governmental function be promoted by adopting this plan?

Mr. JOHNSTON. If put in government bonds it would be bringing to the Government money they needed.

Mr. SMALL. And to that extent promote the credit of the National Government?

Mr. JOHNSTON. I don't think I could follow you to that extent. I don't think the establishment of postal savings banks will in any degree promote the credit of the United States.

Mr. MURDOCK. Would it not have the same effect, Mr. Small, as the issue of national-bank currency secured by government bonds? Would not the postal savings bank have the same right to exist under the Constitution as the national banks who issue national-bank currency based upon government bonds?

Mr. SMALL. Well, I am personally avoiding any constitutional questions.

Mr. MURDOCK. I did not think that question was a constitutional question.

Mr. SMALL. Now, there is another question. Assuming that the main purpose of the postal savings bank is to encourage saving and national thrift, then I understand you to be of the opinion that the same purpose can be accomplished through various forms of banking institutions and savings banks, either in the forms which now exist in the several States or in improved forms of banks, savings banks. Now, are the savings banks and other banking institutions over the country generally subserving the same purpose in encouraging savings as postal savings banks would?

Mr. JOHNSTON. I presume that if they advertised, as these banks would have the opportunity to do, without any expense, through the post-offices, that they could do a great deal toward bringing out a strong competition as against any banks that would propose to put a branch, or to go themselves, as a matter of enterprise, into any locality where there was no bank.

Mr. SMALL. Then do I understand you to submit the opinion that the present banking facilities, including savings banks in the country at large, do not promote savings to the same degree as postal savings banks would; and if not, why not?

Mr. JOHNSTON. The postal savings banks might be started in localities at the present time where the banks were contemplating starting an institution, and perhaps they would get in ahead, a little time before the bank got there; but I doubt in the general outcome if it would produce a better system of education for saving, or as good a system as that which would be encouraged by the banks, or by the branch banks, which might be there, or by the advertising through the newspapers of banks which might reach there, or by cards sent out, or through other means taken nowadays to encourage savings.

Mr. COX. In your judgment which would appeal to the people the strongest, a guaranty feature, which would naturally and necessarily accompany the postal savings bank, knowing that the credit of the Federal Government was behind the deposit, or the rate of interest which the Government proposes to pay to the depositor?

Mr. JOHNSTON. The government security, I presume, would be first in their minds.

Mr. COX. You take it, then, that that would appeal to them first and strongest?

Mr. JOHNSTON. Yes, sir.

Mr. COX. Now, from the evidence that I have gathered yesterday and from you, most all of the banks throughout the country pay depositors a higher rate of interest than is proposed to be paid by the Government to depositors under this bill. That is true, as a rule?

Mr. JOHNSTON. Yes, sir.

Mr. COX. Now, if the guaranty feature, which necessarily is carried in this bill, appeals to the people as strongly, what effect do you believe that would have upon the people in inducing them to withdraw their deposits from banks and put them in postal savings banks, if any effect?

Mr. JOHNSTON. It would be a great inducement in both respects. They have now in cases of a run no place to put their money, which is all the better for them, because it is out of ignorance in ninety-nine cases out of a hundred, that withdrawals are made. And wherever you can correct that by any reasonable means it is advisable. They would also, in drawing out their money in case of a run upon a bank, have the advantage of getting 2 per cent upon it by putting it into the bank, and they would also have the postmaster's assurance that it was much more secure than in the other banks.

Mr. COX. Then what would be your judgment as to whether or not a postal savings bank, carrying the weight of the credit of the Federal Government, and at the same time carrying a rate of interest of 2 per cent—what tendency, if any, would that have to induce the depositors to withdraw from the other banks and put their money into the postal savings banks; and if it was a great inducement to do so, and if it did do so, what effect would that have upon the banking business of the country?

Mr. JOHNSTON. It would place the banking business of the country in continual jeopardy.

Mr. COX. Why?

Mr. JOHNSTON. Because of the entrance of the Government into their business with its power, which the banks would be compelled to meet and which power has really come from private enterprise, and which now would be turned against them. And it would cause a continual, constant, and increasing discrimination against bankers on the part of a strong government.

Mr. COX. In other words, as I gather from your statement, no bank can possibly do business excepting it has the actual currency on hand. That is true, is it?

Mr. JOHNSTON. Yes, sir.

Mr. COX. And it needs its currency every day to safeguard its business?

Mr. JOHNSTON. Yes, sir.

Mr. COX. And if there is anything that jeopardizes that currency which is needed by a constant withdrawal, then your judgment is that it would operate to jeopardize their business?

Mr. JOHNSTON. Yes, sir.

Mr. COX. And as it jeopardized the banking business what effect would that have upon the immediate community, when, according to your idea, the credit of the banks had developed the community?

Mr. JOHNSTON. It would make it more or less, in a degree, as it increased, subservient to the Government of the United States. And in the upbuilding of private enterprises they would in a large degree lose the fostering care of the Government which was organized for the purpose of taking care of private enterprises.

Mr. FASSETT. Mr. Chairman, was it your purpose to sit here for some time?

The CHAIRMAN. I promised to hear Representative Fordney before taking recess. I know there are many members of the committee who wish to get over to the House as soon as possible, and I think if Mr. Johnson will leave his papers with the stenographer we will excuse him and listen to Mr. Fordney.

STATEMENT OF HON. JOSEPH W. FORDNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN.

Mr. FORDNEY. Gentlemen, what I want to say will take but a very few minutes.

Mr. MURDOCK. Mr. Fordney, are you a banker?

Mr. FORDNEY. I have some interest in banks, yes, sir; I have some stock. I am a director, but not an officer, beyond director, in any bank. I will speak entirely with an unselfish purpose.

In the first place, I think that both parties have made a mistake by declaring in favor of this law, but I do believe we are going to have a postal savings-bank law, and if so, it is my opinion that the greatest care possible, by the brightest minds, should be exercised, and the greatest safeguards imaginable thrown about this bill. I have just two or three high spots to touch, gentlemen, and that will be all I want to say.

In the first place, I do not believe that fourth-class offices should be made depositories. I believe they should be excluded from the operation of the law, and I will tell you why, briefly. Some fourth-class offices are money-order offices, and they are in the rural districts, and the much-talked-of money hid away by timid foreigners who are afraid of our banking system is not in the rural districts. It is the farmers who are in those districts. For instance, I have spent a great deal of time in the pine woods in the Southern States, where the post-offices are all fourth-class offices, and in many instances a lady is the postmaster, wholly unequipped for the handling of money or taking care of it. If the money were to be sent through the mails every day by such a postmaster to banks or places of safety, it offers the greatest opportunity for highwaymen and yeggmen. It would be necessary to supply every fourth-class office in the country with a modern safe in order to take care of any of the money that could not be deposited in the banks in the village where the post-office is. On the other hand, I would say that if any fourth-class offices are made depositories, none should be designated except the ones in a village where there is a bank under federal or state supervision, because I believe it would be a most unwise policy to attempt to gather up this money about the country and hold it in fourth-class offices indefinitely.

Mr. FINLEY. Right along that line, you are aware of the fact, are you not, that the policy of the Post-Office Department within the past year has been to require, as near as possible, all post-offices to be money-order offices?

Mr. FORDNEY. Yes.

Mr. FINLEY. And I have in my mind one where I think the compensation was less than $40, where they ordered it made a money-order office.

Mr. FORDNEY. Yes, sir. Many of them in my State are under $50, considerably under $50, wholly unequipped, I say, to take care of money that might be deposited by people in that vicinity. As a rule, I say, in the territories where fourth-class offices are situated it is farmers, and farmers generally seek a more safe place for the deposit of their money.

I wish you to give most careful consideration to that, gentlemen; I think it is of the greatest importance, because when this bill comes up I hope it will be in such shape that I can vote for it. I expect to.

Mr. FASSETT. This bill now provides that that shall not be done except under the discretion of the Postmaster-General.

Mr. FORDNEY. Yes, sir.

Mr. FASSETT. But you think that is not sufficient?

Mr. FORDNEY. I do not think it is sufficient, Mr. Fassett. I believe that the law should show plainly what should be done and what can not be done.

Again, I am unalterably opposed to the investment of this money in other securities than government bonds. I believe, on page 7, you will find, in line 3, where it says, "or other securities of the Government of the United States." I believe that is a subterfuge, and as a foundation for that belief I want to tell you what is in my mind right now.

I happen to be honored by being a member of the Committee on Ways and Means, and before that committee now we are having hearings on the proposed issue of $30,000,000 of certificates for the irrigation projects out West. The bill provides that $30,000,000 of government securities—what kind of securities? The reclamation act provides that no project shall be begun until the money is available in the reclamation fund for the completion of that work. It was estimated that some $48,000,000 would be required to complete the projects that were begun. That much has been spent now, and they are back now asking for $30,000,000 more, and admit that each year from seven to nine million dollars will be covered into those funds from the sale of lands. Therefore admitting that it is going to cost more than $100,000,000 to complete those projects, and they now want $30,000,000 of government certificates—not bonds, certificates—issued, in view of the fact that we are about to establish a postal savings-bank law, and by that they declare that that is an exigency. The word "exigency" is in the law. Suppose they divert the funds deposited in savings banks from the rural districts, which would be absolutely suicide to all local districts in this country.

Mr. FINLEY. Mr. Fordney, if the government securities of postal savings-bank funds are used for the irrigation projects, would it not be just as reasonable to use such funds for drainage propositions?

Mr. FORDNEY. Yes, sir; anything that the board of trustees or the president would declare to be an exigency would be an excuse for taking that money out of those depositories, and no power on earth could stop them. I do not want this law enacted, gentlemen, if it will in the slightest permit anybody or any set of men to take the money from the rural districts, where it is deposited, because if it does, then I say that it is the most unwise legislation that the Republican or Democratic parties ever proposed.

Mr. MURDOCK. What would you do with the money? How would you invest the money? What is your idea?

Mr. FORDNEY. I would confine it to government bonds or nothing.

Mr. STAFFORD. As I understand you, you are in favor of having the deposits from the postal savings depository deposited in the local banks, to be used there if the banks are willing to accept the funds on stated terms?

Mr. FORDNEY. Yes, Mr. Stafford. Then, on the other point, you bring another thought which I wanted to mention. What kind of securities is the Government going to accept from those banks? If you are going to permit a bank to furnish to the Government a surety bond, then the banks are not going to accept those funds, if they can get other securities, because in many instances those bonds will cost the banks as high as 2 per cent, owing to the standing of the bank, and if they must pay 2 per cent for their bonds and 2 per cent for the money, or 2¼ per cent, they will not take the money, and then it will go into the fourth-class office or the third-class office and be carted away to money centers immediately. It is very important, gentlemen.

Mr. COX. What objection have you, Mr. Fordney, to investing these funds, say, in state bonds?

Mr. FORDNEY. Absolutely the best security that the Government could be secured with—municipal bonds. I do not know of any instance where any municipal bonds have been repudiated.

Mr. COX. I do not, either. Therefore, what objection, now, would you have to investing these funds in state or municipal bonds?

Mr. FORDNEY. If it took them away from the local territory, then I say it would be bad law.

Mr. COX. Take the State of Michigan and the State of Indiana. Supposing that these funds now be invested in state or municipal bonds issued by the State of Michigan or some municipality thereof; or the State of Indiana or some municipality thereof; would that tend to keep the money at home?

Mr. FORDNEY. I misunderstood the purpose of your inquiry. I thought you meant the kind of securities that the banks should offer to the Government. If you can pass a law that will bring from its hiding place any money in this country into the postal depositories that can be immediately returned into the banks in that particular locality, then you have enacted a law that will expand our currency, but otherwise you have enacted a law that will contract it, the very thing you would like to avoid.

Mr. STAFFORD. Will you give us your idea about the proper safeguards that we should place about the deposits in the local banks, as far as security is concerned?

Mr. FORDNEY. To the Government?

Mr. STAFFORD. Yes.

Mr. FORDNEY. I say the greatest care should be exercised by the Government in getting proper security. I believe, however, that municipal bonds ought to be sufficient security for this Government.

Mr. STAFFORD. In lieu——

Mr. FORDNEY. In lieu of a surety bond or United States government bond.

Mr. STAFFORD. From your experience as a director of a bank, do you think that the banks in these small localities have the securities you designate——

Mr. FORDNEY. I think they could be obtained.

Mr. STAFFORD (continuing). To offer to the Government as a security for the postal deposits?

Mr. FORDNEY. Yes; I think so.

(Thereupon, at 12.20 o'clock p. m., the committee took a recess until 1.45 o'clock p. m.)

AFTER RECESS.

THURSDAY, MARCH 17, 1910.

The committee met, pursuant to the taking of recess, at 1.45 o'clock p. m., Hon. John W. Weeks (chairman) presiding.

STATEMENT OF MR. LAJOS STEINER, OF NEW YORK CITY, N. Y.

Mr. STEINER. Mr. Chairman and gentlemen, during the last ten years and over I have made researches in affairs of immigration, banking, agriculture, and have observed certain evils. I have made efforts to correct these evils. I am at present employed, since the last two years and a quarter, by the department of agriculture of New York State, as a student of sociologic matters. I beg leave to address you only as such, and as a private citizen do I make this request and not in my official capacity. I have no permission to plead in the name of the commissioner of agriculture of New York State, though I have no doubts whatsoever that the Hon. Raymond A. Pearson is in favor of the establishment of postal savings banks.

Our native boys and girls forsake the farms and flock in constantly increasing numbers to the towns. They stay there permanently.

The bulk of our recently arrived immigrants are farmers. The almost exclusive industry in Hungary, Italy, and the Slav countries is agriculture; the millions of recently arrived European peasants are farmers. They know of experience how to keep the soil fertile, as they come from soils which are highly productive after having been cultivated for about one thousand years. Peasant immigrants do engage here in mining, factory, construction, or any other labor. They save a part of their wages for the determined purpose of buying, as soon as possible, tillable land and reengage again in farming. The masses of such people do not know that it is possible for them to secure farms in this country. The department of agriculture of New York State does, on a small scale, disseminate agricultural information, in the languages which such immigrants understand, of the opportunities of which they may avail themselves. The results achieved this far are encouraging. Besides the general ignorance of peasant immigrants of American opportunities, this work is obstructed by the unscrupulous colonization schemers, notaries public, and others who exploit the immigrants—cooperate to keep immigrants away from becoming Americanized. For the efficiency of the work of Americanizing the masses of immigrants it is necessary that the federal authorities and Congress cooperate with New York State. Good results will be achieved, I am sure, when this will be done.

A multitude of concerns, styled "private banks," and engaged in the transmission of the savings of immigrants to the respective native countries and in the sale of steamship tickets stimulate these proceedings. The sums thus exported amount annually to over $300,000,000; in panical years to over twice as much. The number of remigrants is over 40 per cent of all arrivals. Only the thrifty immigrants are enticed to remigrate—the spendthrifts, good for nothings, and paupers are left here. If this system of removing the fittest is to continue for a number of years hereafter, then we are bound to have bad conditions; indeed, it will be far more difficult then to better conditions. The influx of American money to

certain parts of Europe has caused there the price of land to rise to fabulous heights. A number of the remigrants find out, in time, when it is too late, that it is impossible for them to eke out a living on the land which they have purchased for prices altogether out of all proportions, so they sell the same for a fraction of that which they paid for such newly acquired property, and they come back again to the United States, deprived of their savings, discouraged and decrepit. Their savings are a total loss to American prosperity. What a pity that they were not directed to take the place of those who desert our farms for life in the cities.

The export of the savings and the remigration of our thrifty immigrants is artificially brought forth by the stimulation of the "private banks." Thousands of such concerns operate in the United States. They and their auxiliaries are ever active, more so now than at any time before. More than 100,000 men make a parasitic existence out of obstructing immigrants from absorbing Americanization. This army of sycophants promotes the purposes of schemers. The combination thus formed is alert, powerful, and unscrupulous. They accomplish it that $25,000,000 per month are exported from here. They commit frequently falsehoods, overreaching, misdeeds, and increase constantly in the volume and extent of evil doing. Private banks are most potential and successful in preserving the immigrants foreign to Americanism. Any individual too lazy for honest occupation, often of tainted past, goes to work and operates a private bank. The only law regarding such concerns in New York State is the unenforced one which places them under a bond of $15,000. This law did not prevent the repetition of abuses; on the other hand, it does furnish subterfuge to the respective concerns to pretend to be a legally constituted banking institution. Legitimate banks, as a rule, do not cater for the deposits of peasant immigrants. They employ none who could speak the respective languages, and, unlike the private banks, they are not to be found in the immediate neighborhood of places where immigrants dwell. Great numbers of private banks cause to their depositors total losses of their savings. Yet it is not the absconding private bank owner, neither the abandoned farms, of which much was talked lately, that causes the real injury. The evil is caused by the partly tilled farms, by the insufficient number of soil toilers, and by those owners of private banks, who, with increasing efficiency, induce the farmer immigrants to acquire the habit of exporting their savings and to remigrate.

No adequate facilities are provided for the systematic information of immigrants, in the languages which they understand, of our institutions, methods, or opportunities. No state or federal office exists to investigate conditions, detect fraud, prevent exploitation, prosecute culprits, inspect the so-called "immigrant homes," colonization schemes, to compile statistics and make records of immigrants and facilitate their Americanization.

In almost every one of the civilized countries postal savings banks operate and proved to be beneficial. We have tens of millions of people whose experience and condition necessitate such governmental depositories of cash. Some 17,000,000 of immigrants, who in their native countries were farm hands and whose wages consisted chiefly in victuals and necessities and who are not at all experienced in handling cash, and who are paid cash wages in this country, are in

absence of postal savings banks the easy prey of private cupidity. Postal savings banks will facilitate the Americanization of immigrants. They, as well as millions of others, trust in governmental institutions. Postal savings banks would give an opportunity to the peasant immigrants to keep their savings in this country, and this would in time, as a matter of course, result in having these amounts invested in American agriculture and industries and result in having annually about 400,000 skilled farmer immigrants engage in and augment our agriculture.

Gentlemen of the House Committee on Postal Affairs, report favorably on and have postal savings banks established.

The CHAIRMAN. Have you any information about the number of private banks there are in the State of New York?

Mr. STEINER. We have in the city of New York about 300, of which the comptroller knows. Besides them there may be about 100 private banks in the State of New York. Directly or indirectly they engage or are in connection with saloon keepers, barbers, or any other kind of immigrants who will facilitate this export of cash savings. If I should state their number judiciously I should say in New York City alone we have 2,000, in the State 3,000 such men who stimulate immigrants to send their cash savings. I have personally made original researches and spoken to about 75 private bankers in the city of Pittsburg, and about 50 in the city of Chicago, and altogether there are certainly not less than 100,000 men in the United States engaged in this particular sort of business.

The CHAIRMAN. Do I understand you correctly that they are in the business of encouraging immigrants to send their money back to their homes?

Mr. STEINER. And more than that, they actually do the export of the cash savings.

The CHAIRMAN. Have you any information as to the amount of money there is in the private banks of New York City or in the State of New York?

Mr. STEINER. I could not very well give you an amount, but I wish to make a statement in relation to your question. The amounts involved are called deposits, but they are not deposits, in the American sense of the word. Ninety-nine and one-half per cent of all the moneys involved, intrusted to the private banks, are not for the purpose of keeping that amount deposited with him, but for the purpose of exporting it to the native countries, where they are, to a small extent, depositors in postal savings banks. But most of them, the overwhelming majority of cases, are people who invested in tillable land, real estate in their native country.

The CHAIRMAN. I have seen that statement made. Are there any statistics to indicate how much money is invested by American immigrants in any country in a year?

Mr. STEINER. I have not seen such statistics, Mr. Chairman, but I have made original researches. I have made it the study of my life. I have been studying this question, directly and indirectly, for twenty years, all the time that I have been in the United States, being myself an immigrant, a naturalized American citizen. I find by having for years spoken time and time and time again, I might almost say all the time, with clergymen, with immigrant physicians, lawyers, business men, newspaper men, officials of their organizations and associations, with private-bank owners themselves, and their employees—I have found out that during the recent years, say, for the past six or seven years, the amounts exported by private banks, by postal money orders, and personally carried over to Europe, are $25,000,000 a month, $300,000,000 a year, under normal conditions. In panic years it is twice as much.

The CHAIRMAN. Are these private banks under any state supervision other than giving a bond?

Mr. STEINER. In the State of New Jersey they are placed under the supervision of a state authority. I am not quite sure whether it is the superintendent of banks or whether it is the commissioner of banks and insurance, but it is a state official under whose direct supervision they are. That law is, in my humble opinion, the most effective one. The State of Massachusetts has a law in regard to private bankers which also, more or less, is efficient in preventing direct fraud. The State of Ohio has a law which places them under $5,000 of a bond, and the State of New York under a $15,000 bond. But, just as I say, this law in the State of New York, if anything, made matters worse than they were before. Furthermore, none of the laws in the State are effective in obstructing the carrying into effect of the worst part of this matter, namely, the export of cash savings; that is not at all prevented. We have no laws whatsoever in that regard.

The CHAIRMAN. Do you understand that these private banks pay interest on deposits?

Mr. STEINER. In very few cases I have heard so; but I wish to emphasize again that amounts deposited in private banks—when I say private banks, I mean these particular sort of immigrant banks, and kindly do not misunderstand me; there are American private banks which are so much above the moral standard of these particular branch so-called banks, although it is anything but banking—the amounts deposited with them are not of a very great importance, although I know of cases where private-bank owners have absconded with very large amounts, several hundreds of thousands of dollars, once amounting to almost a million dollars. But this amount which this American bank owner absconded with was not intrusted to him as a deposit, but was intrusted to him for transmission, which he failed to do in ninety-nine cases out of a hundred.

The CHAIRMAN. How much is the usual charge for making those transmissions?

Mr. STEINER. As an average, I should say it was 1 per cent and a fraction of 1 per cent. They usually charge from 10 cents to 20 cents, probably, postal charges. It generally takes a month's time to transmit these savings, and just about two or three weeks ago I noticed the first time an advertisement of quite enormous size in certain newspapers in which a new method is introduced. Two firms offer in New York City to transmit any amount of money to Europe, without any prevous notice, for 50 cents, within two days' telegraphic order.

The CHAIRMAN. Your impression is that this money that is sent to Europe, the larger percentage of it, is invested in land rather than deposited in the postal savings banks of Europe?

Mr. STEINER. I know it to be a fact, by correspondence with people in Europe, by receiving letters from them, by talking to immigrants. I think I do not overestimate it, Mr. Chairman, if I say that out of

100 immigrants who transmit their cash savings to Hungary, to the Slav countries, and to Italy 95 do so with the determined purpose of buying tillable lands; and they are trying to do their utmost to emigrate at the earliest possible moment, to own a spot of land of their own, and to engage in agriculture; and if a larger amount of money is temporarily deposited in the savings banks in those countries than I have stated here it is my candid opinion it is temporarily only, until such an amount is accumulated in the European postal banks as will enable them at that time to buy tillable land; and that is why I think postal savings banks in the United States would so very much facilitate the work of the skilled farmer immigrants upon our farms.

The CHAIRMAN. Is not the problem to get these immigrants to buy land here rather than to send the money home for that purpose? One of the purposes of establishing postal savings banks is to prevent them from sending the money to Europe to deposit in European postal savings banks. Should we not in some way encourage these people to buy lands here?

Mr. STEINER. Mr. Chairman, these people work at fair wages and save a part of it. Say, in four weeks from the date an average immigrant started to earn wages, the time is present when an amount which to him is a considerable sum will to have to be put in a belt which he will wear around his body, or otherwise it will have to be deposited somewhere. Great American banks do not cater for those deposits, while, on the other hand, almost everybody with whom the immigrant comes in contact talks to him and stimulates him to follow the example of the rest of them and transmit the money to the country of his origin, and deposit it there, and then, as soon as he has accumulated again a certain amount of money, repeat the proceeding, and send that twenty-five or forty-five dollars over to Europe again. After a certain lapse of time this is repeated until a competency, after so many years, is saved.

The CHAIRMAN. You heard the testimony this morning to the effect that out of 24,000 deposits in one mutual savings bank in New York 14,000 of them were for an amount less than $100, did you not?

Mr. STEINER. I did hear it.

The CHAIRMAN. Why do not these immigrants deposit their money in mutual savings banks in a State like New York, where they are as well protected as they are under New York laws?

Mr. STEINER. First of all, because immigrants do not know that such facilities exist. Almost everyone who comes in contact with the immigrant finds it to be to his business interest to prevent that immigrant, and the masses of immigrants, from becoming Americanized, becoming acquainted with our methods, with our institutions, with our ideals, and preserving them aliens to everything American; the employment bureau keeper, the shyster lawyer, the vender of European imported trinkets, and that sort of thing—almost without exception all these people find it to their interest to keep the immigrant a foreigner, so as to exploit him and make money out of him.

The CHAIRMAN. Does it not strike you that they are singularly lacking in intelligence if they are prevented from doing the very things which they came over here to do, to better their condition and generally to become citizens?

Mr. STEINER. Mr. Chairman, the average European peasant may not have so elastic a mind as laborers belonging to the Anglo-Saxon race. They may not; I am not sure; I am not competent to say so. But I wish to say that the average European peasant has common sense, but he lacks education in certain up-to-date matters and methods. He is ignorant; he does not know. A goodly number of them can read and write. They will read the foreign newspapers. The foreign newspapers are chock full of advertisements of private bank owners offering facilities to induce these people to transmit their savings to their native countries. It has become the habit, it is the habit, on the other hand, of American money institutions not to cater for the trade of immigrants at all. A goodly number of savings banks will positively decline to accept savings of immigrants unless the immigrant can speak or write English or German. If a Hungarian immigrant can not write or does not understand English or German, his funds will not be accepted; his deposits will be refused by the savings banks in the city of New York, by a number of them.

The CHAIRMAN. Are there not in New York, as in every other large city, saving banks which do, to a degree, cater to this interest? I mean regular savings banks, established under state laws, which, by their very name, would seem to cater to such a condition?

Mr. STEINER. I do not know of any. I am quite sure that the mass of immigrants do not know of any, probably for the reason that such banks do not exist. Furthermore, I wish to state that recently banks, or at least one bank has been established for the special purpose of dealing with immigrants. What does the business of that bank consist of? In doing as a state bank, which the average type of immigrant banks, whatever you call, whatever they do; that is, to stimulate immigrants to acquire the habit of exporting their cash savings. I know of banks, national banks, and probably state banks, or one savings bank in the city of Pittsburg, also in Philadelphia, also in Chicago, which have a so-called foreign branch. What does that foreign branch do? Transmit cash savings of the immigrants, and they sell them steerage tickets.

The CHAIRMAN. Do these immigrants with whom you have to deal principally settle in the cities or on farm lands? Do they work in the city or in the country?

Mr. STEINER. The bulk of the recently arriving immigrants from Hungary, Italy, and the Slav countries come to this country to engage in coal mining, in factory work, construction work. They are employed in the coke ovens of Pennsylvania. They will engage in any kind of work, almost, as long as they can earn wages. They are in the big cities. They are in the industrial regions. They are all over New York State and Jersey and the Virginias and Pennsylvania, Ohio and Indiana.

The CHAIRMAN. Principally, then, they are in the industrial centers?

Mr. STEINER. In the industrial centers.

The CHAIRMAN. You are advocating the establishment of a postal savings bank without any particular interest in the matter of its organization, the details of the organization?

Mr. STEINER. Mr. Chairman, I am very much interested in all of the details, but I think I am not competent to offer suggestions.

(At 2.10 o'clock p. m. the hearing was suspended, and resumed at 2.45 o'clock p. m.)

STATEMENT OF PROF. O. M. W. SPRAGUE, PROFESSOR OF BANKING, HARVARD UNIVERSITY.

Mr. SPRAGUE. Mr. Chairman and gentlemen, my interest in this subject is in part related to some work I have been doing for the Monetary Commission in connection with the history of crises in this country. I might add, however, in connection with something said a moment ago that I am opposed to and have written extensively in opposition to the central-bank proposition.

There are, I should say, certain objects—six in number—to be considered in discussing this subject of postal savings banks. The purpose is, I suppose, to encourage thrift by providing facilities, by providing an agency which will be safe, and which will also have the confidence of depositors. Those three requirements seem to be met by the postal savings plan slightly better than under existing savings arrangements, but only slightly better. Facilities could be more widely extended and are being more widely extended at the present time. There does not seem to be much lack of them, and the National Government could extend them still more widely by permitting the national banks to establish agencies for the receipt of savings deposits, where there is now no bank, on condition that the banks close those branches and wind them up in case of the establishment of a local bank. Many banks would establish agencies for the receipt of savings deposits if that were permitted under the law, and by that means you would have facilities extended quite as widely as would be possible, I think, under the postal savings plan. The facility argument, therefore, does not seem to me very strong.

Safety is unquestionably provided in many of the States, and could certainly be provided in the case of the national banks were the banks authorized to segregate their deposits and were they required to invest them under conditions somewhat similar to those of the best savings-bank laws in certain of the States.

The matter of trust is apparently one which can not be entirely met by existing institutions. Unquestionably a considerable number of people will have greater confidence in the government guaranty than they will have in the banks.

Such persons doubtless ought to be considered. It is desirable that these timid persons, afraid of all banks, shall have a place in which to put their savings in case that is not to disturb existing savings institutions and existing inducements to save.

There is another inducement to save which has not been mentioned, and that is the rate of interest. The rate of return of savings institutions is generally 3½ or 4 per cent. That is an inducement to save, and it is an important inducement to save, one as worthy of consideration in the case of the people to whom it appeals as the absolute security which these exceedingly timid people must have.

I am inclined to the belief that the postal savings plan will be an obstacle to the development of other savings institutions and diminish the amount of deposits upon which 3½ and 4 per cent might be paid, and will be paid in the future if matters continue as at present. And for myself I am as much concerned for these persons as I am for those timorous persons who have figured so largely in this hearing.

Quite apart from the encouragement of thrift, there is another important matter which should be considered in connection with savings, and that is the use to which they are put. I suppose all would agree that particularly in those parts of the country which have been comparatively recently developed, that local funds should be used locally; that it is undesirable to take money away from Arizona or Nebraska and place it in New York City or United States bonds, if there is an opportunity for its employment in those States.

Many persons seem to think that they have insured the employment in Nebraska of Nebraska savings by having the Government turn postal savings over to the Nebraska banks. That is a serious error. These postal deposits are payable on demand and in a double sense. They are payable on demand to the depositor, and they are payable on demand also to the United States Government in case of any exigency.

Deposits payable on demand must be used for short-time loans. Those parts of the country which are largely agricultural or which are engaged in extractive industries afford a very narrow field for the employment of funds in short-time loans. It is communities engaged in manufactures and in trade that can properly employ and safely employ a large quantity of funds in short-time loans. New England can employ an enormous quantity of funds in that form. But the Western States, which are still largely agricultural, can not and do not; and at the present time there is clear evidence that there is a greater relative superabundance of short-time credit available for loans held by the banks of such States as Nebraska, Kansas, Wyoming, and Utah than there is in the case of States like Massachusetts and Pennsylvania. This can be shown in a comparatively simple way from the returns of national banks.

As you know, a country national bank may keep as a part of the required reserve a deposit in a reserve city equal to 9 per cent of its net deposits. Taking all of the country national banks together, 9 per cent of their deposits amounted to $251,000,000 last November That amount of deposits they could place in reserve and central reserve cities and it would count as part of their reserve. As a matter of fact, $443,000,000 were thus deposited by country banks in city banks. This was the time of year of crop moving, when supposedly the country banks, especially in agricultural sections, need a great portion of their funds. I selected this date for that reason; but very similar figures would be shown had I taken other dates when returns are made to the Comptroller of the Currency.

Now, contrast the situation in this respect between New England and the Western States, the Western States being North and South Dakota, Nebraska, Kansas, Oklahoma, Montana, Wyoming, and Colorado.

The country banks of the New England States could count $25,000,000 as reserve. In actual fact they had more than that; they had $42,000,000 of deposits with city banks; but the excess deposits of the group of Western States was far more considerable. For reserve purposes they could count only $26,000,000, while their total deposits with reserve agents were no less than $64,000,000. This is to my mind conclusive evidence that even at the present time the banks in those States have more funds than they can employ in

short-time loans. What is needed in the development of those States so far as banking is concerned is a greater quantity of funds available for prolonged use; in particular, for real estate loans.

This is not possible under the national banking law. The banks of those and other States have accumulated over $500,000,000 in their savings departments and over $300,000,000 in the form of certificates of deposit, all of which must be invested in short-time loans under the provisions of the national banking law. And, similarly, it would be necessary for them to employ or try to employ any funds they might secure from a postal savings bank if you are to make those funds payable on demand.

This is a matter of very great importance, in my opinion, because the principal cause of the breakdown of our banking machinery in our successive crises has been due to the inability of the New York banks to return to the country the enormous balances deposited or loaned in New York by outside institutions, and that fund is constantly growing.

Many persons at this hearing have spoken of the funds going to the commercial centers. But there is only one commercial or monetary center in this country which has what may be called an indefinite demand for short-time credit. Chicago has not; Boston has not. There are markets there of a speculative nature which can absorb a considerable quantity of funds; but any large banker in Boston will tell you if they have any large surplus it is always necessary for them to place it in New York. New York, like the central money markets of all other countries, can absorb an indefinite amount of short-time credit. This is largely because of the stock market. If there are more funds to be loaned, there are always people ready to carry stocks on margins, and at the present time in New York over $1,500,000,000 of the loans of the New York banks are based on collateral security, as contrasted, as well as I can learn, with about $500,000,000 in the case of London, whose stock market is concerned with a vastly greater volume of securities.

We have through legislation turned nearly all our banking funds into this one form of short-time credit. Consequently there has been this accumulation of short-term credits in New York which has in turn served for speculative financial purposes in very large measure.

Now, if the national banks were able to employ a portion of their funds—funds which are properly savings funds—in long-time loans, they could develop the resources of their own localities more completely, and at the same time there would be a much smaller accumulation of funds in New York City, which the country banks have the right in emergencies of drawing away, and which they do attempt to draw away in emergencies, but which the New York banks have never been able to send to the country banks.

You would, I believe, by such an arrangement greatly diminish the strain upon the New York banks and the likelihood of the breaking down of the structure of credits in emergencies.

Mr. SMALL. I did not catch your last proposition.

Mr. SPRAGUE. Let me put it this way: Suppose at the present time there are, say, $700,000,000 owed by New York banks to banks throughout the country. I hold that if that amount were reduced, let us say, to $400,000,000 or $300,000,000 the possible strain upon the New York banks would be vastly less in emergencies. This strain would be less if New York should carry on its various financial operations more largely with its own capital. I do not wish to be understood as implying that those financial operations are not in large measure legitimate, but I do consider it undesirable that Wisconsin, Nebraska, or Texas should provide a considerable part of the funds upon which the financial operations of New York are carried on, particularly when New York is never able in an emergency to send back to Wisconsin, Nebraska, or Texas any considerable portion of the funds which it has received from them.

The CHAIRMAN. Let me suggest you modify that statement to this effect: That ordinarily New York receives from the country districts, credits, not currency, and when an emergency arises the country district wants currency instead of the credit which it has deposited.

Mr. SPRAGUE. I should hardly think I could agree to that. If during the last three months the country banks which have had claims on New York had determined to cash them in, so to speak, to increase their own cash reserves, they would have had the right to money. These credits largely accrue, for example, through the sale of western produce abroad or to consumers in the Eastern States. That will be the cause of the increase during the last few months of country bank balances.

Now, for the various kinds of merchandise which have been exported the New York banks or bankers secure foreign exchange. Of course, they may have obligations to meet, but so far as the country banker is concerned he is provided a right to cash from Europe when grain or cotton is sent out.

Mr. SMALL. And while the country bank may extend to New York what is prima facie credit, still at the time it is extended it is convertible into cash if the country bank desires.

Mr. SPRAGUE. Yes, sir.

Mr. SMALL. Convertible into cash?

Mr. SPRAGUE. Exactly.

The CHAIRMAN. I do not wish to take up your time by injecting any discussion which properly belongs before another committee, but I dissent very largely from your statement, and I think it could easily be demonstrated that you are to a large extent wrong if you put it that way.

Mr. SPRAGUE. We should probably differ on that. You will, I think, agree that if at the present time it were possible for a bank in Nebraska to make a mortgage loan of $10,000, and it made that loan, that that would serve todevelop Nebraska to that extent. Being unable to make that mortgage loan, it sends the money to New York, or allows its balances there to accumulate. If the $10,000 is deposited, the country bank will get 2 per cent, or if it loans it on call in New York, it will perhaps get more. Now, I hold if it had used that $10,000 for a loan in Nebraska it would not have had the $10,000 to draw out of New York in emergencies, and that it would be very much better both for Nebraska and New York if they did not have that $10,000 or $10,000 of credit to draw. That is the sum and substance of my contention. I care not a whit how this credit is created. It might have been used by the banks to make real estate loans in developing the resources of Nebraska. It can not now be so used and so is employed in the cities. I may add, however, that it is the system which leads to the concentration of funds that I consider

particularly unsatisfactory, and not the policy of the New York banks.

But I wish to show you how it seems to me this affects the postal savings-bank law. If it is deemed desirable to provide savings facilities for those persons who have little or no trust in banks, I believe that the amount of such savings which any individual should be permitted to make ought to be limited to a much smaller sum than is permitted in the present bill. Were the maximum deposit of any individual to be limited to $100 it would, in the first place, diminish the burden upon the Government in making disposition of these funds. And, in the second place, it seems to me it would provide all reasonable facilities for these extremely timorous persons. We can not expect, and no one seems to have in mind, providing safety for all classes of depositors. The unfortunate widow who sold her farm for $7,000 was mentioned by a member of the committee yesterday. Even under the provisions of this bill she would have lost $6,500 in that unfortunate affair, because only $500 could have been placed in a postal savings bank.

I believe, therefore, that $100 would meet every reasonable demand of those persons who are not in position to reach any one of the existing banks conveniently, or who, through ignorance, are timorous of existing banks, or who wish a purely temporary place of deposit for accumulations.

In the second place, a fund or deposit limited to this amount might very well, it seems to me, be employed directly in the purchase of United States bonds, thus making this postal arrangement altogether analogous to that in other countries. So far as I know no one objects to the employment of postal savings in bonds, except those persons who have supposed that by simply turning the money over to the Nebraska or Arizona bank you would insure its use in Nebraska or Arizona. If that is not the case, and I submit that these figures which I have presented would at least tend in that direction, why not employ this money in the most simple way, in the purchase of government bonds, and direct attention to the desirability of enabling the banks of the country to employ savings deposits in long-time loans?

That can only be accomplished to any purpose by requiring savings banks or banks with savings departments to receive their money at notice. The present practice of the savings banks in this country of paying on demand is a vicious practice, because the mass of depositors do not understand that the savings banks have the right to exact notice, and consequently when they do exact notice in emergencies the depositors do not understand it and regard it as very closely approaching insolvency.

Mr. GARDNER. I understand from your figures that there is not only ample but a plethora of money in the Western States for short-time loans?

Mr. SPRAGUE. Yes, sir.

Mr. GARDNER. There was a statement made here yesterday by more than one person, if I remember correctly, that there was plenty of money available in those States for good mortgage loans at 5 per cent, which is better than some of the Eastern States can do. If there be plenty of money available there at 5 per cent for farm loans, what could be gained by making more money available for that purpose?

The CHAIRMAN. Before he answers let me add to that: I think it was also testified to that the real estate mortgage commanded a less rate of interest than any loan made by bankers in those Western States to which you have referred.

Mr. LLOYD. I can answer that perhaps better than he can. It is not western money that is loaned; it is eastern money. It is money of the insurance companies of the East that is not loaned through the channels of the bank.

Mr. SMALL. That is my understanding.

Mr. LLOYD. It is what we call insurance money loaned that way at 5 per cent.

Mr. SMALL. I understood that was the method, and that made it possible for the high rate of interest.

Mr. SPRAGUE. I do not know how it may be in Kansas and Nebraska. I know parts of New England where banks can make very good loans on long-time security. I would also add that if Nebraska, Kansas, and other States have become so prosperous during the last few years that they have surplus capital beyond what can be employed in their own limits, that then it would be more profitable and far safer for the country for them to invest their capital in the form of good bonds than to employ it in short-time loans in New York, the excessive amount of such distant deposits being a constant source of danger.

The situation is something like that of a corporation which may have an enormous floating indebtedness. That corporation is not in a very satisfactory condition. It would be much better to fund some of its indebtedness. Similarly in this country nearly all deposits in our banks are demand deposits. Consequently an excessive quantity of them seek employment in short-time loans. In this respect we are absolutely different from English banks. The English banks have more than half of their deposits at notice and they can employ their funds in long-time obligations.

If there is no further demand for mortgages and other long-time loans for developing the resources of Kansas and Nebraska, then their banks, so far as they have a savings department, would better put them into high-class securities notes and become the owners of railroads which run through their territory. That would seem to me to meet the question if it is true that the demand for real-estate loans is already fully supplied.

Mr. GARDNER. Mr. Lloyd has explained that is by eastern capitalists. As the question is now left they would have to reduce their interest on mortgage loans below that asked by the eastern insurance companies before they could use it for that purpose.

Mr. SPRAGUE. That is true; but would not 4 per cent on a local mortgage be better for a Nebraska bank and for Nebraska than the 2 per cent received on balances with city banks? To sum up the principal interest I have in this question, I might say that the only matter which has not been covered in previous hearings would be in reference to crises conditions, in particular the cause of the breakdown of the banks, their suspension, during periods of difficulty. That danger, I believe, would be very materially diminished if demand deposits were in a measure converted into time deposits, and if the funds were employed in either mortgage loans or in high-grade bonds.

Mr. LOWDEN. What, in your opinion, would be the effect if a contingency should arise that in the administration of this proposed postal savings-bank law all of the funds that have been paid in by savings depositors should be invested by the Government in government bonds and other securities; what effect would that have upon the business of the country?

Mr. SPRAGUE. If the funds were drawn out and invested in bonds, I am not sure that there would be a very different effect from that which occurs when the Government puts out a bond issue. Presumably the Government would arrange to receive a part of the return from the banks at once, and the remainder——

Mr. LOWDEN. Just there. Government bonds are held in large centers of population and in financial centers generally and principally, are they not?

Mr. SPRAGUE. Not in any country except the United States.

Mr. LOWDEN. I am speaking of the United States.

Mr. SPRAGUE. In the United States they happen to be held almost altogether by the national banks.

Mr. LOWDEN. Would not the Government, in going out and purchasing those bonds, pay out that money in financial centers?

Mr. SPRAGUE. Not necessarily. It depends on the purpose. If it were a war, it would depend on the part of the world.

Mr. LOWDEN. I am asking you when the bonds were purchased.

Mr. SPRAGUE. When the bonds were purchased I should expect the Government to take in a part of the money from the banks then, and a part of it a month later, and a part of it two months later. I should not expect that would be a seriously disturbing factor any more than when the Government retires the deposits placed with the banks.

Mr. LOWDEN. In the event that this was done and deposits were withdrawn from banks all over the country and paid out principally in New York, Chicago, Philadelphia, Boston, St. Louis, and so on, would not the inevitable result be that a money stringency would be accentuated?

Mr. SPRAGUE. No.

Mr. LOWDEN. It would not?

Mr. SPRAGUE. The banks would pay by drawing upon their New York and other correspondents. They would send almost no cash to New York, and unless the Government left it on deposit in large measure with New York banks it would cause them a good deal of trouble, but not the country banks. It would not cause the country banks any great trouble under existing law.

Mr. LOWDEN. You are familiar with the panic of 1897?

Mr. SPRAGUE. Yes, sir.

Mr. LOWDEN. Was that the case where funds were drawn out all over the country?

Mr. SPRAGUE. No, sir; but at that time there was no arrangement of close connection between different cities of the country, so that the banks could draw upon New York practically at a moment's notice. They simply did not carry balances at that time.

Mr. LOWDEN. In time of stringency the Government would not do it unless the exigency was one of financial stringency. Now, in case of a financial stringency, of a panic, would the New York banks respond to a call all over the country? Did they do it in 1907?

Mr. SPRAGUE. No; and if the Government were to withdraw the deposits in a period of financial stringency it would unquestionably force on a suspension.

Mr. LOWDEN. It is true, is it not, that the New York banks and other corresponding banks in the country did not respond in 1907?

Mr. SPRAGUE. The New York banks did not respond. They used some money, very largely to meet the trust-company situation in New York, and suspended while they still had $220,000,000 in their vaults.

Mr. LOWDEN. Do you not admit it would take some time for a redistribution to take place all over the country, over all sections from which it had been withdrawn?

Mr. SPRAGUE. It would not be withdrawn. It would be withdrawn from the balances of these banks in New York, Chicago, and elsewhere, but no appreciable amount of money would be taken from the banks of Nebraska or Utah if the Government should call in all deposits.

Mr. LOWDEN. Is it not true that banks only keep balances sufficient for the conduct of their business?

Mr. SPRAGUE. No, sir.

Mr. LOWDEN. When their balances in New York were depleted in this way, would they not have to replace those balances with other funds?

Mr. SPRAGUE. It would depend on whether they had them. But the banks would much prefer to deplete their balances in New York to depleting their own reserves. Of course, they might use part of both, but I do not believe the withdrawal of funds, unless it were done in a financial emergency, would cause great difficulty.

Mr. LOWDEN. That is the question I asked.

Mr. SPRAGUE. If it is a financial stringency, as contrasted with a financial emergency of the Government, I think it would cause very great difficulty, but the difficulty would be in the money centers and not with the country banks.

Mr. GARDNER. Beyond that, or before it, there are a thousand depositors in a community of amounts less than $500. The majority of them, we must assume, keep accounts with some kind of local banks now. The postal savings-bank bill is a law, and they put that money in the postal savings banks. It goes into bonds eventually. The money may be drawn from New York, or no matter where drawn from. The bonds are sold at some money center. The thing is seeking its level, and all that, but after it is all adjusted will not the fact remain that the money of the $500 depositors has gone out of the banking capital of the locality, and gone permanently?

Mr. SPRAGUE. It depends on what those bonds represent, I should say. If a Nebraska bank purchases water bonds of some Nebraska municipality, it will be serving to develop something in its own limits. But if it is using deposits payable on demand it probably will not purchase a local security to any great extent. It will purchase bonds which it can market in Chicago or New York, and in that case the money will probably go to a distance.

Mr. SMALL. The same conclusion would apply to United States bonds?

Mr. SPRAGUE. Yes, sir. That is why it seems to me it is desirable to limit this thing very definitely. If you are going to have a postal savings system, I see no great loss to any community by permitting merely $100 to be deposited by each individual at the low rate of,

say, 2 per cent. I do not believe any community will lose very much of needed capital for its own development. At any rate it will lose far less by that arrangement than it will lose by permitting $500 by the existing plan, payable on demand, even though you turn it over to your local banks. Nearly all of that money, I am convinced, will simply flow away to the money centers, except in localities where there happens to be a demand for commercial credit in excess of existing banking facilities.

Mr. LLOYD. Are you in favor of the postal banking system in the United States?

Mr. SPRAGUE. I hardly know. As a mere supplement to existing savings arrangements I see no great objection to it. I do not think it desirable to establish a postal savings system which will be seriously detrimental to existing savings institutions. If you can establish one which will do something where they seem to fail and leave the field occupied by them unobstructed, well and good.

Mr. LLOYD. Do you think this particular bill, the Senate bill, would accomplish that result?

Mr. SPRAGUE. No: I do not. In the first place I think the limit on savings is excessive. In the second place I believe that the turning over of money in this way to the banks necessarily limits the interest which you can pay. Banks can not possibly afford with safety to pay much more than 2 or 2½ per cent on deposits payable on demand. In most parts of the country they can perfectly well pay 3½ and 4 per cent on deposits which are not payable on demand.

Mr. LLOYD. What would you fix as the limit?

Mr. SPRAGUE. I should fix the limit at $100. That, I think, would meet every reasonable demand which can be made for the ignorant persons who put their money into money orders.

Mr. LLOYD. How would you limit the monthly deposit? Under this bill $100 may be deposited in a given month.

Mr. SPRAGUE. That is a difficult matter. There are a few classes of men who receive their money in lump sums, sailors, for instance, and it might be undesirable to scale down the monthly amount which could be put in by dividing it by five and bringing it down to $20. It is not a point to which I have given very much attention. I have been more interested in the question of the maximum.

Mr. LOWDEN. Fixing the limit at $100, could not a very small amendment to the postal laws provide for a very cheap money order, or one without any expense, payable at the bank of issue? Would that not, practically speaking, comply with your views as to what is actually necessary?

Mr. SPRAGUE. I think so.

Mr. FINLEY. Drawing no interest?

Mr. LOWDEN. Drawing no interest.

Mr. SPRAGUE. The interest question is a matter of opinion.

Mr. LLOYD. Your idea is that the only need at the present time is the need of the timorous who think they have no place in which to deposit their money, so that that could be saved?

Mr. SPRAGUE. Yes, sir.

Mr. LLOYD. You think this other system he suggests would furnish a safe place without expense where the individual might deposit his funds?

Mr. SPRAGUE. I see no particular objection to permitting them to have interest upon it, because the total amount which would be received in that case would be comparatively small, and the difficulties which have been so forcibly presented regarding transfer of the money from isolated places would diminish very much, because the total amount taken in would be very much less. The amount of bookkeeping would be diminished. This bookkeeping question is not very serious to my mind. I should think it would be possible to establish zones with a postal savings supervisor, with a central office. Suppose you had one at San Francisco, one at Salt Lake, one at Denver, and so on. It would not be necessary, I believe, to concentrate all this business in Washington and make a poor fellow in Los Angeles wait the better part of two weeks before he could get his money. I do not think such difficulties are insuperable in this country, as they are not in other countries, but I do believe the particular measure before us is going to weaken the general structure of credit by increasing the quantity of demand deposits.

The CHAIRMAN. Leaving the question of details for a moment, what do you think of the advisability of passing any legislation?

Mr. SPRAGUE. I should prefer to see this matter go over to be considered in connection with a national savings-bank law applicable to the national banks. By that device I think you can encourage thrift more certainly, because through those banks a higher rate of interest can certainly be afforded, and also because you would convert a quantity of demand deposits into time deposits.

Mr. LLOYD. What about the element of safety and security in the amendment to the national banking laws providing for savings departments?

Mr. SPRAGUE. I think it would be necessary to consider carefully the savings-bank legislation in States that have long had savings-bank laws, and an amendment could be prepared without very much labor which would secure a relatively high degree of safety; but that does not seem to be a question for this committee. I only mentioned it as a possibility, without working out any details.

Mr. FINLEY. Have you any sort of idea how much money is out of circulation and in hiding?

Mr. SPRAGUE. No, sir; none whatever.

Mr. FINLEY. Do you think anybody could get at it?

Mr. SPRAGUE. I do not think so. The figures as regards per capita circulation are the result of many years of addition and subtraction on the part of Treasury officials. Take, for instance, a certain kind of money and start back, say, in 1873, and establish an estimate for each year of the amount of that money which has been exported and the amount that has been imported, and so on. A very slight error in a particular year will make a very great difference in the course of thirty years, as the mint authorities decided themselves a few years ago, when they determined the estimated amount of gold in the country was $135,000,000 too high. Now, it is not improbable that for the same reason or for some of the same reasons the estimated amount of silver and paper money in actual existence is more than it should be.

Mr. LOWDEN. More than it should be?

Mr. SPRAGUE. The Treasury figures exaggerate the amount. But I believe all of this money that is in hiding would come out if $500

were the limit, certainly, and that nearly all of it would come under a $100 limit.

Mr. FINLEY. That presupposes that nobody hoards more than $100?

Mr. SPRAGUE. Oh, there are doubtless some that hoard $2,500, and probably more than that; but, practically, I believe you would get most of it. I should think anybody who hid away much more than that was an incorrigible miser and you would hardly get it out in any way.

Mr. FINLEY. I understood you to say a moment ago that the total circulation was larger than it appears from the reports of the Treasury.

Mr. SPRAGUE. That it is too much, according to the reports, I think.

Mr. FINLEY. It is too much and the per capita circulation is less than it appears?

Mr. SPRAGUE. Yes; I think it unquestionably is. I thank you for your attention and courtesy.

(Thereupon, at 5.05 o'clock p. m., the further hearing of this subject was adjourned until to-morrow morning, Friday, March 18, 1910, at 10 o'clock a. m., in the regular committee room.)

A PLEA AGAINST THE ADOPTION OF THE POSTAL SAVINGS-BANK BILL.

SEVENTH AVENUE HOTEL,
Pittsburg, Pa., March 14, 1910.

Hon. JOHN W. WEEKS,
Chairman, Washington, D. C.

DEAR SIR: I respectfully request that you and your committee consider this, my earnest, petition against the adoption of the postal savings-bank bill now pending before your committee, for if it is enacted into law it will, in my opinion, become one of the most harmful pieces of legislation ever enacted by Congress. Let me preface my remarks with the statement that I do not own and never owned one dollar of bank stock nor held an office with a banking institution.

IT IS PATERNALISM RUN MAD.

The purport of the bill is to furnish absolute security, by fiat of law, for the savings of the small wage-earners of the country without that class having to use the extensions above their shoulders. There are those who seem to think it would be a good thing if the Government should guarantee the farmers of the country against the elements, such as frosts, floods, droughts, etc., without their having to pay an adequate sum for the same, but I am not of that school. Yet that is the theory of this measure.

The chief distinction between civilized man and the savage is that one provides for his old age and the other gives that no consideration whatever. In making such provision civilized man realizes that he must use judgment, and just as his financial action is based on good judgment by recognizing facts or is placed at haphazard may it be called a safe investment or speculation. The wise lawgiver, therefore, will never enact a law which would tend to render doubtful an investment wisely and cautiously placed, even though the improvident may profit by it.

BANKING IS THE MOST USEFUL AGENCY IN COMMERCE.

Commerce is an invention of civilized man and a bank is the most useful agency in carrying out that invention, for by manufacturing credit it economizes capital. The thing which makes banking profitable is deposits, for that capital could not afford to supply vaults, furniture, fixtures, officers, and clerks to look after that capital or to loan it. To do that all that would be necessary would be an inexpensive hole in the wall. So that all those costly expenditures are made for the protection and convenience of deposits. Most of a bank's obligations are payable on demand. It is the only financial institution which is on all occasions expected to meet all its obligations in cash on demand, and it is the least able of financial institutions to comply with such assumption without outside aid. The average corporation with ample capital and efficient management is proof against failure, but there is another element which enters into the stability of a bank—retention of public confidence—which is at times as fickle as the wind.

AN APT ILLUSTRATION.

Suppose you and I are colaborers working for the same industrial institution, each able to save $2 per week. In making the selection of a bank in which to deposit your savings you act cautiously and wisely. You first ascertain if those in control are cautious and experienced bankers and sustain good reputations for honesty and fair dealing. Not only do you do that to begin with but thereafter you constantly keep on the lookout to know if they maintain the reputation they bore when you began to deal with them. You are promised 4 per cent interest on your deposits. In making my selection I use neither caution nor judgment, but I am actuated solely by the promise of 6 per cent interest on my money. Things work smoothly for several years when a widely spread industrial disturbance occurs, and Madam Rumor says that my bank, in order to meet its interest charges, accepted some doubtful loans. A run ensues on my bank and, as I exercised no judgment in making my selection, I, like the majority, make a rush for my money and take it to the postal savings bank. Others do likewise and cause its failure. Not only does my bank fail, but a run is made on the conservatively managed institution you had the foresight to select. But the failure of those two banks is a small part of the injury done our community, for confidence is destroyed, capital is timid and is afraid to take hold, the industrial institution which furnished us with employment has to close, and during our enforced idleness we soon consume the small savings we made during the past. I say the Government can't afford to do any act which would even tend to disturb public confidence in privately managed institutions. It would be expensive and a most pernicious policy for the Government to attempt to guarantee our farmers against the elements; but, Mr. Chairman, the harm resulting therefrom would be nothing compared to that under such a law as is proposed by this bill.

DOUBTFUL CONSTITUTIONALITY OF THIS MEASURE.

Let us next direct your attention to the doubtful constitutionality of this measure. You could not guarantee the farmer against the elements, because the Constitution clothes you with no such authority. Neither does it clothe you with direct authority to guarantee the wage-earner against a loss of his savings, and the only way you can make it constitutional is by misstating the real purpose of the measure—that is, to furnish a market for government securities. Yet we have the richest Government on earth, because its citizens are the greatest producers of wealth that history records. You may make it constitutional by libeling the Government, and I shall show you the authority, because I wish to point out the harm resulting from the congressional legislation which brought forth that decision. In Veazie Bank *v.* Fenno (8 Wall.), Chief Justice Chase announced that when Congress stated the object of a measure was one thing it was not within the power of the court to go beyond such statement. The act then considered by the court was the one which annihilated the "Suffolk Banking System of New England," the nearest approach to a safe and scientific financial system this country ever had. The only way in which Congress could destroy that system—a system which made New England banking and bank notes a synonym of and for soundness and honesty—was through the taxing power of the Constitution, and it accomplished it by imposing a tax of 1 per cent on the deposits, 5 per cent on the capital, and 10 per cent on the circulation of those banks. In a strong dissenting opinion delivered in that case Mr. Justice Nelson, among other things, said:

"This makes an aggregate of some 16 per cent imposed annually upon those banks. * * * The imposition upon the banks can not be upheld as a tax upon property; neither could it have been contended. It is simply a mode by which the powers or faculties of the States to incorporate banks are subject to taxation, and which, if maintainable, may annihilate those powers."

We refer to the above legislation to show the similarity of the doubtfulness of the constitutionality of the legislation which gave us our dual banking system and the proposed legislation. But those legislators were acting when conditions were quite different; the responsibility of maintaining the credit of the Government during its darkest period rested on their shoulders, and they could afford to be charged by a member of the greatest judicial body on earth with using or resorting to a subterfuge to accomplish another end, and that end was to give us our bond-secured bank-note

currency and dual banking system. Let us see about that. At present it is permissible for five or more persons to organize two banking institutions and do a perfectly lawful business through one which would be unlawful if done through the other at the same time and in the same place, and vice versa. Law is supposed to be, and should be, a science. The common law is based on scientific principle (reason); so, also, were other legal systems, such as the civil law; but the laws enacted by parliaments and congresses are seldom founded on scientific principles. Instead, expediency is the underlying basis. It becomes necessary, therefore, to clothe government with the power of monopoly in the matter of legislation, for it is only by strict enforcement of the law of a parliament that we may know that the plausibility set forth by the legislator will actually accomplish the purpose claimed for it. Sir Edward Coke once said: "If I were asked what the common law was on any question, and I should fail to give a correct answer, I would be ashamed of myself; but if I were asked what the law of Parliament was on a question, and I should give a correct answer, I would be surprised at myself." The legal philosopher can not go far astray when he knows he is advising about a law based on reason, but it is mere guesswork when he begins to speculate on an act based on expediency.

CREDIT MAY BE MORE INJURIOUSLY INFLATED BY BANK DEPOSITS THAN BY BANK NOTES.

This is the opinion of all sound financial writers. Henry Dunning McLeod, in his History of Economics, page 400, says:

"A sudden increase of deposits is therefore nothing more than inflation of credit, exactly similar to a sudden increase of bank notes. Deposits are nothing but bank notes in disguise."

The New York Evening Post, in a well-considered article on this subject, says:

"Inflation through excessive expansion of deposits is far more dangerous in its immediate results than inflation through excessive expansion of bank notes, because bank notes will inevitably be widely scattered, so that it will take time to accumulate them for a run by the public, whereas a run of depositors may begin on an hour's notice."

Expansion of bank deposits is necessary to manufacture credit and is perfectly harmless if done properly at the right time, but such an expansion which would inflate credit during the dull summer months would not do so if done during the busy fall months. The introduction, therefore, of this new factor in the banking business, which is at present overdone, and place in control of it untried and inexperienced men, and it is bound to be a disturbing factor, and thus give the country a third banking system. But that is not all; for if you set the example to the States to engage in this business and tell them the Federal Government is going to do so to furnish a market for its securities some of them will do so, and they can do so constitutionally. Then we would have the fourth banking system or, rather conglomeration.

Mr. Chairman, you are a practical banker, a member of the Monetary Commission, and on the House Committee of Banking and Currency; have been a student of finance and realize the great responsibility resting on you to give the country a sound and scientific monetary system. I know you realize that if this measure should become a law, it would further complicate your efforts at a correct solution of this problem. Certainly you do, and I know that if the other members of the Committee on Post-Offices and Post-Roads had given the subject the same study you have, it would never become a law. The fact is, Mr. Chairman, I am due you an apology for writing you at such length on the very A, B, C's of finance, and my excuse for doing so is to make myself thoroughly understood by those members of the committee who have given this subject no special consideration.

A CONSTITUTIONAL OATH VERSUS A PARTY PLEDGE.

The next proposition to which I shall direct attention is the fact that your party has made this a platform demand; but on that score the opposing party is as deep in the mire as your party is in the mud. I am not one of those who believe in legislation by party platform, and when such demands are of doubtful constitutionality I believe the legislator is fully justified in rising up and denouncing it in emphatic terms. But when the legislator attempts to carry out a party pledge of doubtful constitutionality, he should do it by direction and not by indirection by using the same argument in the legislation which was used in the party platform. Your party-platform demand reads as follows:

"We favor the establishment of a postal savings system for the convenience of the people and the encouragement of thrift."

If those words, or words conveying the same intent, be incorporated in the bill as the object of such legislation, no injury would result, for the courts would render it null and void. As the opposing party adopted the same party demand the people were not educated on the subject. It is quite certain that they were not told that in order to secure such legislation their legislators would have to violate the letter and spirit of their organic law; a law which is the only barrier between the people and their Representatives in Congress; a law which was formulated by the truest patriots and wisest lawgivers that ever assembled in convention since the dawn of creation, and viewing their great labor nearly one hundred and thirty-three years after it was performed, we wonder if it was not to meet just such a contingency as this. It seems so to us.

THE HOUSE IS NOW THE CONSERVATIVE BODY OF CONGRESS.

In conclusion, Mr. Chairman, let me state that there was a time when the Senate was the conservative body of Congress, but that time has passed, for the House, of which you are a worthy and distinguished Member, reflects the conservatism of the country and the one to which the people must look for sound legislation. Therefore I appeal to you, to the important committee over which you preside, and to each Member of your distinguished body, irrespective of party affiliation, to protect the public against this invidious piece of legislation. I am just a plain citizen of the United States, and as I am unknown to the members of your committee, I believe it incumbent on me to state the place of my nativity and raising—the Twelfth Texas Congressional District—that you may inquire, if you wish, whether I have so lived as to warrant a patient consideration at your hands.

Believe me, most sincerely and very respectfully,

R. C. MILLIKEN.

COMMITTEE ON THE POST-OFFICE AND POST-ROADS,
Friday, March 18, 1910.

The committee was called to order at 10.35 a. m., Hon. John W. Weeks (chairman) presiding.

STATEMENT OF MR. ARTHUR E. HOLDER, OF THE LEGISLATIVE COMMITTEE, AMERICAN FEDERATION OF LABOR, WASHINGTON, D. C.

The CHAIRMAN. Mr. Holder, do you come before us by authority to represent the American Federation of Labor in this matter?

Mr. HOLDER. Yes, sir.

The CHAIRMAN. Do you represent anyone else?

Mr. HOLDER. No, sir.

I want to have placed before the committee, Mr. Chairman, and to have included in the record, the position that the American Federation of Labor has taken upon the question of postal savings banks. I will not burden the record by including the resolutions of very early date, but simply confine myself to the two recent ones; one in the year 1905, which was adopted at the Pittsburg convention, and which was reaffirmed at Minneapolis in 1906, at Norfolk in 1907, and at Denver in 1908; and then I will read to you, for the record, the last resolution of the convention at Toronto, Canada, in November, 1909.

The CHAIRMAN. These are annual conventions that you are referring to, are they?

Mr. HOLDER. Yes, sir. And also for the sake of exhibiting the spirit of the representatives at those conventions, I not only give you the text of the resolutions as adopted, but the verbatim text of the resolutions as introduced and as they were amended and

finally adopted, so that it will be clear to the members of the committee the exact sense of this highest expression of thought of our organization, the American Federation of Labor.

In 1905 a resolution was introduced by Herbert S. Whiteman, of the Central Labor Council, of Jamestown, N. Y., and it reads as follows:

Whereas it is a well-known fact that the post-office savings-bank departments operated by foreign countries are not only successful, but beneficial to all the people; and

Whereas the adoption of a savings-bank system in connection with the Post-Office Department of the United States would not only be a safeguard and a blessing to the people, but a paying department of our Government: Therefore be it

Resolved, That the American Federation of Labor, in its twenty-fifth annual convention assembled, for the protection of the earnings and savings of the people of the United States, hereby goes on record in favor of the establishment of a savings-bank system in connection with the Post-Office Department of the United States; and be it further

Resolved, That the American Federation of Labor, through its officials, calls upon the organized labor of America to agitate this all-important question and earnestly work for its adoption.

Now, that is the text of the resolution, Mr. Chairman, as submitted. The committee to which it was referred, the committee on resolutions, recommended that the resolution be concurred in, with the following amendment: After the words "through its officials," in the last paragraph, add "have prepared and presented to the Congress of the United States a bill calling for a postal savings-bank system, and." The recommendation of the committee was concurred in after consideration by the convention.

As I said earlier, the resolution was affirmed at later conventions, and this is the last, that was adopted at the Toronto convention in 1909. It was presented by Delegate Thomas Flynn, of the Brotherhood of Carpenters, and the text of it reads as follows:

Whereas the frequent failures of private banking institutions have caused a widespread feeling of distrust among the working people; and

Whereas a convenient and absolutely safe method of depositing small savings can easily be provided in a postal savings bank; and

Whereas this has been indorsed by both the Democratic and Republican parties: Therefore be it

Resolved, That this convention call upon the parties named to redeem their pledges and ask Congress to pass a comprehensive postal savings-bank act.

The committee to which this resolution was referred recommended that it be amended by striking out the third whereas and amending the resolve so that it would read as follows:

Whereas the frequent failures of private banking institutions have caused a widespread feeling of distrust among the workingmen; and

Whereas a convenient and absolutely safe method of depositing small savings can easily be provided in the postal savings bank:

Resolved, That this convention calls upon the United States Congress to pass a comprehensive postal savings-bank act.

That is the full text of the resolution as reported from the committee on resolutions. The committee recommended the adoption of the resolution as amended, and on motion the recommendation of the committee was concurred in.

For the further establishment of the position of the organization upon this question, I hand also for the record the economic declarations of the American Federation of Labor, consisting of twenty clauses, the last of which, No. 20, is as follows: "We favor a system of United States Government postal savings banks."

That is all I have to offer, because I think that it would be simply consuming unnecessary time of the committee, and the text of the resolutions express clearly the wishes of the men represented in that organization.

The CHAIRMAN. I would like to ask you two or three questions, Mr. Holder. When the Federation of Labor in convention passes upon such a matter as this, is a committee appointed, and ordinarily do you accept the report of the committee? How much consideration, in other words, is given to the study of such a question as this?

Mr. HOLDER. Well, just as much, Mr. Chairman, as it is possible with the mass of other questions that are brought up for consideration. With regard to this particular question I might say, however, that at the later conventions it has not received as complete a study as at earlier conventions, when the subject was new. Earlier, along in the nineties, the matter was seriously considered, and in fact the demand was very, very intense; and of late years it has become practically an accepted opinion among our people that, as this is something that is required, there is a unanimity of feeling in expecting it, and that we will finally obtain it.

The CHAIRMAN. What is the position of the American Federation of Labor regarding the Government going into business, as a general proposition?

Mr. HOLDER. I would not care to assume the responsibility, Mr. Chairman, of committing the Federation to the principle of that question. I believe, however, that it has no reservation whatever in saying that so far as government security, the safety of savings, and for the encouragement of thrift—I don't think there is the slightest hesitancy on the part of any of the members but what they would be willing for the Government to go to that extent of public business.

The CHAIRMAN. The reason I ask that question is because, as you may know, the Government has been making envelopes, embossing stamps upon the envelopes, and printing a return card upon them for a great many years. The printers of the country have been making a protest against that procedure. I have had a great many protests from printers and labor organizations, and the protests are based on the impropriety of the Government competing with private interests in business. In that particular case the work is done by contract, so that the Government does not actually do it. I want to call that matter to your attention, because a postal savings bank is, in a sense, competition with private interests. We do not know how much or how little it will amount to in this country. But the banking interests are very large, the amount of capital invested is enormous, and the number of people directly and indirectly employed is very large.

Mr. HOLDER. Before you leave that question I might be permitted to say that with regard to the organization that I directly represent—I happen to be a machinist—the feeling is strong toward the point of the Government building its own battle ships, colliers, and revenue cutters, and all of its equipment used at sea, either for the protection of the nation in case of war, or the protection of the nation with regard to the collection of revenue.

The CHAIRMAN. Has the Federation any definite views which you care to express about the kind of bill that should be framed? I mean by that, the offices where the system shall be established, the

manner of disposing of the deposits, whether they should be permanently invested, or whether they shall remain subject to call in the banks, etc. Have you any views to express on those points?

Mr. HOLDER. I believe that our people are perfectly satisfied to let that remain to the best judgment of the representatives in Congress. We want the principle established. We want a comprehensive measure. We don't want a bill upon which different interpretations could be placed that would be injurious to the principle. We are perfectly satisfied to allow the details of the bill, or the general framing of it, to remain absolutely in the hands of the Representatives in Congress, believing that they are going to use their very best judgment.

The CHAIRMAN. My own theory of the establishment of new methods of government like this is, that they should be commenced in a small way and develop from an experimental standpoint, otherwise we are liable to make serious mistakes, and it is extremely difficult to take a back step, because you may involve some vested interest, either of capital or labor or otherwise, the moment you make a move. That being the case, and if we were going to authorize these banks in certain localities, would it be your judgment that they should be authorized first in industrial communities, or in farming communities? Different people who have appeared before the committee seem to feel that different classes of people need these banks more than others.

Mr. HOLDER. We always take the broad ground, Mr. Chairman, that what is good for one is good for all. We do not ask for legislation for rural industries or for urban industries. We ask for legislation for all the people, and we would like to see this so diversified that it would cover practically every hamlet where there would be a possibility of a person desiring to make a deposit in a bank, and where they would be offered a full opportunity to make it.

The CHAIRMAN. You would not be in favor of the Government establishing such a system as postal savings banks without using proper care that the Government should be reimbursed for all its expenditures, would you?

Mr. HOLDER. No, sir. We would expect that every care would be provided.

The CHAIRMAN. What have you to say regarding a proposition like this: In Massachusetts the savings banks have $700,000,000 of savings deposits and 2,000,000 depositors, who are getting very nearly 4 per cent on their money. They are mutual, as you know. The general impression is that if these postal savings banks were established 2 per cent would be paid to depositors. What do you think the depositors in Massachusetts, for instance, will think, and how will they act, if in one system of banks they can get substantially 4 per cent, while in the government bank they will get only 2 per cent? Do you think that will mean that they will move later on, when they get their money in the government bank, for a higher rate of interest?

Mr. HOLDER. That is practically an academic question, and I think it is beyond the power of either of us to be able to foresee. It would depend largely upon the question of confidence. If the people of Massachusetts, the several million that you spoke of, that have that $700,000,000 of deposits, have every confidence in the mutual savings banks of Massachusetts, they will leave their money there

at 4 per cent. The moment that they feel that those banks are not safe, and that there is an opportunity for greater security provided by postal savings banks, if the bill is enacted, they would take refuge under the provisions of it.

Now with regard to the rate of interest, I question if the rate would ever exceed 3 per cent under the most favorable circumstances, and that it would take years to even raise it to that.

The CHAIRMAN. Do you not think that the Government could even maintain the 3 per cent rate of interest, and pay the expenses, by making investments which would be safe?

Mr. HOLDER. Not without there should be a terrific demand for money at some time, which none of us at the present time can foresee.

The CHAIRMAN. This question of interest is a matter of very great importance; the rate of interest to be paid. For instance, the deposits in the Massachusetts savings banks are the deposits of people, ordinarily speaking, who can not safely invest their own money. If I took $1,000 to a Massachusetts savings bank and asked them to take it, they would probably refuse, and would say: "You can invest this money just as well as we can. These banks are for the purpose of taking care of the money of people who have no facilities for knowing what good investments are." The 2,000,000 depositors of the 3,000,000 population in Massachusetts represent a very large element in the population; in fact, pretty nearly everybody of small means in Massachusetts has a savings bank deposit. Those banks are so economical in their management and their results that the people of Massachusetts—and in these cases they are the poorer people, the laboring people, if you like—are receiving $27,000,000 a year interest. If the same amount of money was in postal savings banks at 2 per cent interest, these depositors would be getting $14,000,000 in interest, a net loss to them of $13,000,000.

Mr. HOLDER. I would not expect, Mr. Chairman, that there would be a demand on the part of the people, nor on the part of our organization, to get an increased rate of interest. Your relation of the situation in Massachusetts I had never heard related so concisely and clearly before, but it demonstrates, however, to me, that it is the best illustration that could be possibly given of the demand of the common people to have some safe place of deposit. Now then, this very confidence in the mutual savings banks of Massachusetts, as you say, of 66 per cent of the population who have deposited—they have deposited in those banks, and why? Because they feel absolutely secure that their money will come back to them on demand. Now, with that same feeling established throughout the whole nation of 90,000,000 of our people, and if we have 66 per cent of the 90,000,000 with savings deposited, we would be a greater nation, we would feel safer, and we would offer a more united front in pressing forward. I believe that we are safe in assuming that position.

The CHAIRMAN. What I am particularly calling your attention to is that postal savings banks are not economical, but that the mutual savings bank is. If the whole country had the same system of mutual savings banks that Massachusetts has, and their deposits were as large in proportion to the total wealth of the country, there would be ten billions of dollars, in mutual savings banks, these ten billions of dollars at 4 per cent would mean about $400,000,000 per year in

interest, if that same money were in postal savings banks at 2 per cent, it would mean a net loss to the working people of the country of $200,000,000 a year. That is the strongest argument, in many respects, that can be urged in favor of the establishment of mutual banks as against the establishment of postal savings banks.

Mr. HOLDER. Yes; and you carry the illustration to the fullest possible end.

Mr. STAFFORD. May I not interpolate, Mr. Chairman, that your statement is predicated upon the idea that mutual savings banks are generally established throughout the country, where everybody has the advantage of depositing their savings in safe and secure institutions?

The CHAIRMAN. Of course.

Mr. STAFFORD. Whereas, in fact they are only limited to a very small section of the country, and the demand for postal savings banks comes largely from the sparsely settled sections of the country, where they have not the advantages of adequate protection for their savings.

Mr. HOLDER. And that is what we are asking for, Mr. Stafford. I thank you, Mr. Chairman, and gentlemen of the committee.

The following was filed by Mr. Holder with the committee.

ECONOMIC DECLARATIONS OF THE AMERICAN FEDERATION OF LABOR.

American Federation of Labor. A few of its declarations, upon which it appeals to all working people to organize, unite, federate, and cement the bonds of fraternity.

* * * * * * *

19. We favor a system of finance whereby money shall be issued exclusively by the Government, with such regulations and restrictions as will protect it from manipulation by the banking interests for their own private gain.

20. We favor a system of United States Government postal savings bank.

STATEMENT OF MR. JAMES LEWIS COWLES, SECRETARY POSTAL PROGRESS LEAGUE, OF No. 361 BROADWAY, NEW YORK CITY.

Mr. COWLES. Mr. Chairman and gentlemen, I want to say this, in the first place, that I am thoroughly conversant with the mutual savings banks of New England, one of the most successful of them having been established in my own little village of Farmington, Conn., and for many years I was a borrower in that bank to a considerable extent, and I am very well acquainted with the general condition of things with reference to those banks.

I want to say this, that the fact that within the last two years the treasurer of the Savings Bank of New Britain, right across from my own village, ran away with $500,000 of the depositors' money, is, in itself, I think, the strongest possible evidence of the need of a system of savings banks more secure than can be obtained by any system of private savings banks now in existence.

The CHAIRMAN. Do you mean by that that you would displace savings banks?

Mr. COWLES. No; if you will let me go on a little further you will see what I have to say. I want to say further that there was a similar instance in the State of Massachusetts in the case of Sturbridge, which still further strengthens that position——

The CHAIRMAN. It was Southbridge.

Mr. COWLES. Southbridge. And also this other instance that happened recently in the State of Massachusetts, I believe in the town of North Adams, where the difficulty there arose not from a defalcation, but from mismanagement as to the funds of the bank. I think it was North Adams; I am not quite sure.

The CHAIRMAN. It could not have come about through the mismanagement in the distribution of the funds, because the Massachusetts banks are limited by law in their investments.

Mr. COWLES. The investments in this case were mortgages on real estate, and this town had been largely—I don't know as you would call it boomed, but there was a considerable interest in manufactures there, and those manufacturers, if I understand right, failed, and the real estate went down, and there was a very considerable loss as a result.

The CHAIRMAN. You mean a book loss; that was not a final loss.

Mr. COWLES. You are perhaps aware—but I understood that it was a final loss.

The CHAIRMAN. Oh, no; I think not.

Mr. COWLES. But however that may be, such things are altogether possible from my own experience. I happen to know something about manufacture in my own State; I have been interested in it. I know of it in the little village of Unionville, which was established by my father, and I had a great deal to do with the general advancement of it; and I know that in 1888 most of the manufacturers in that village went down, and but one of them remained sound and safe. And at the same time there was a movement to remove that industry, the Upson Company, to Cleveland, and excepting for a sentimental feeling, it would certainly have gone, and with it would have gone necessarily a falling off in the value of real estate upon which the savings banks of Farmington held extensive mortgages. I think that kind of thing is very likely to continue, and it carries an element of uncertainty about which all the people of this country are feeling very deeply. And so far as the mutual savings banks are concerned, that is just exactly the one thing that we are seeking to establish, a system of mutual savings banks, run by all the people and in behalf of all the people; a system of mutual savings banks that will be absolutely secure and far more convenient than can be obtained in any other fashion.

Now, as to convenience; it is a little while ago that I received a letter from a lady who was spending the summer in the old town of New Hartford, Conn., and she said to me that she was receiving continual requests of her working friends in the neighborhood to take care of their money for them, and therefore asked that I would do all that I could to aid this movement in behalf of the establishment of postal savings banks. And I may say with reference to that very town, that within the last few years its entire manufacturing interests were moved down to the South. I have forgotten whether to Alabama or to Georgia. But of course, the value of the real estate, upon which there were more or less mortgages held by savings banks, materially failed.

Now, there is no question about it that there is a considerable feeling of distrust that is expressed, and was expressed yesterday and the day before by the members of the Bankers' Association who were here. Each and every one of those men acknowledged that

they were not absolutely safe, and practically their evidence was to this effect: That if you had a system of postal savings banks, that system would carry with it a sense of safety in regard to considerable of the deposits of those banks, and that it would therefore, perhaps, deprive them of a certain amount of their deposits.

My position is this, that if you establish this system of postal savings banks, that system itself will regulate the private banks of the country, forcing them to take especial precautions as to their investments so that their investments may be safe and carry with them the general confidence which we ask for here.

Now, there is another point so far as interest is concerned that I want to speak about. If these banks are loaning money out, they would only get 2 per cent interest. It seems to me very well that arrangements might be provided to the effect that those who borrow shall be able to get the funds they need at a very small per cent of interest. We have to consider in regard to this matter not simply the men who put money into the bank, but the men who borrow from the bank.

The CHAIRMAN. You would not have the Government attempt to regulate the rates of interest at which money should be loaned, would you?

Mr. COWLES. I am not at all sure but that these savings banks might be arranged so that under proper regulations money might be loaned directly—might be loaned on real estate—if proper protection were offered through the intervention of the States themselves. I am not going to deal with that part of the proposition at this moment, but we do insist, gentlemen, that only by a system of savings banks can the people be properly secured.

The CHAIRMAN. Speaking of security, if you will allow me to introduce this comment, no one will contend that any privately managed corporation is as safe as the Government.

Mr. COWLES. Exactly.

The CHAIRMAN. But you have instanced a case in Southbridge, the first instance of that kind that Massachusetts has had for thirteen years. I believe I am correct in saying that the percentage of loss to depositors in Massachusetts mutual savings banks is the smallest percentage of loss in any system banks anywhere in the world.

Mr. COWLES. That may all be. Then the very fact that you have had this failure in recent years——

The CHAIRMAN. It was not a failure; it was a pure case of theft.

Mr. COWLES. The very fact that that has occurred at this period is in itself most significant.

The CHAIRMAN. Do you think that it is possible for the Government to insure against postmasters stealing, or others stealing, who may be handling government funds?

Mr. COWLES. I am very much inclined to think, Mr. Chairman, that postmasters might well be elected by the districts in which they serve, and those districts might well be made responsible for the men who serve them. I think that that might very well be done, and I shall expect to see it done in the not very distant future.

But there is a widespread distrust throughout this country, and well founded; I think that the defalcation perhaps in Southbridge, and I am very sure that the defalcation in New Britain, was due to this fact—that the treasurer of the bank, I am very certain, in New Britain, had been accustomed to make investments for the bank in railroad bonds and railroad stocks which are speculative. He was very successful, I think, in New Britain, in doing that work.

The CHAIRMAN. Please do not apply that to Southbridge, because the Massachusetts savings banks can not invest in railway stocks.

Mr. COWLES. They do invest in railroad bonds.

The CHAIRMAN. In certain railroad bonds; yes.

Mr. COWLES. But I think I am safe in saying—I will not be absolutely sure—that is a matter of opinion rather than a fact—but I am pretty sure that that is the case, that he went to New York, bought his bonds, or whatever stock he might buy, very successfully for the bank, and then was led to think that he might do it himself. But the evil in this is in the speculative spirit that exists throughout the whole country to-day, which in itself carries with it a great feeling of uncertainty. And the common interest, gentlemen, demands that that shall be done away with.

Now, there is another thing. With a system of postal savings banks, every depositor in those banks is going to have an interest in the Government such as he never had before, and the result will be that he will take a much deeper interest than ever before in the men who are chosen to care for his property. I think that that is a matter of the most tremendous interest. In no other way can the depositor become, to my mind, so interested, and have that deep interest and control of his own deposits as he can through his representatives in Congress.

Mr. LLOYD. Mr. Cowles, according to your system, you would increase the amount of the deposits, would you not?

Mr. COWLES. I would increase the amount; yes.

Mr. LLOYD. I mean, the limit of the deposits authorized by this bill.

Mr. COWLES. In regard to the provisions of this bill, if I had my way about it I would provide that through the banks the investments might be made for larger amounts of government stocks and bonds, as is the case to-day in England. I think that would be a proper thing to do.

Mr. LLOYD. And you would increase the limit of deposit of $500 to what?

Mr. COWLES. I don't know as it is necessary to increase it to any amount, but I think it would be desirable to provide that where larger amounts were placed in the hands of the Government that they should be permitted to secure their investment in government bonds. That is the way in England to-day and it is successfully done.

Mr. LLOYD. Your argument has been along the line of larger deposits, evidently, because you have been speaking of it as a system, in contradistinction to the system that is now in vogue.

Mr. COWLES. Yes.

Mr. LLOYD. And I gather that your argument is based upon the idea that these postal savings banks should displace the present system, and if they do displace the present system, then there should be a greater limit within which deposits might be made.

Mr. COWLES. I don't think it necessary to enlarge the limit at present. I think that is a matter that can be easily taken care of in the future

Mr. LLOYD. But it would be necessary to take care of it in the future, according to your idea, would it not?

Mr. COWLES. That would depend upon circumstances. If in the future the mutual savings banks afford to the public the safety and convenience that the public demands, then there might not be any occasion for it. But the point I want to make is this——

Mr. LLOYD. There would be no question about the safety.

Mr. COWLES. Exactly; no question about the safety. But, Mr. Lloyd, it will certainly be the best possible regulator as to securing greater safety from the private banks of the country, which rest, on one hand, on more or less of speculation, while on the other hand it rests——

Mr. LLOYD. How can the private institutions of to-day be made stronger and safer than they are now?

Mr. COWLES. It is not my province at this time to take up that view, to take up the consideration of that question. I simply state, and I think it will appeal to you, that the safety and the security given to the public by the postal savings bank will of itself, and without any further action on the part of the States, even, force the people who would like to have their money deposited with the savings banks, to give the uttermost possible security for their investments. They would get their share of the saving which some of us who are perhaps more timorous would put in the hands of postal savings banks.

The CHAIRMAN. You have spoken with approval of the postal savings banks of England, and the investments in government securities. I suppose you are aware that from a business standpoint the postal savings banks of England are bankrupt, are you not?

Mr. COWLES. I rather think not. I do not think the postal savings banks are bankrupt, with the whole of England behind them.

The CHAIRMAN. Neither do I. But I say from a business standpoint, if you liquidated the English postal savings banks there would be a deficit of something like $120,000,000.

Mr. COWLES. I am not ready to discuss that part of the question. That is not a practical thing. The point about this business is that all the government property would be behind those banks.

The CHAIRMAN. But the point that I want to call your attention to is this. You have been criticising the method of investment of mutual savings banks, perhaps with some reason; I will not entirely deny that, because they are not perfect. But in the governmental management of the postal savings banks in England the money has been so invested that its principal has depreciated more than 15 per cent. I don't remember the exact price of English consols, but there is a deficit in England of about $120,000,000, with deposits not much larger than those in the mutual savings banks of Massachusetts.

Mr. COWLES. Whether that be so or not, the people of England deposit in those banks, knowing that so far as they are concerned, they are safe. That is the point that I am making.

Mr. LLOYD. But the other side of it is something that ought to be considered as well. The people are interested in both sides, are they not?

Mr. COWLES. The first thing that interests the people of this country to-day is security—the public confidence, the public security, the public prosperity—and for that, as I understand it, you gentlemen are assembled here.

The CHAIRMAN. Now, Mr. Cowles, let me call this to your attention: If those banks in England were liquidated, as I have suggested, there would be no doubt that the depositor would get his money.

Mr. COWLES. Exactly.

The CHAIRMAN. He is the interested party, and the English Government is solvent, so the depositor would get his money. But how would the English Government pay that money? By a general system of taxation? And therefore I, a man without any interest in these savings, without any interest in these deposits, would be taxed to reimburse you, or rather the depositor, for money which had been left with the Government.

Mr. COWLES. Of course, Mr. Chairman, you brought that point up, because I claim this: If the depositor in these savings banks is to take a greater interest than ever before in the Government, then he is going to be mighty careful that the men who represent him in Congress are going to take good care of his property and to see that it is used in the common interest. I think that meets the case exactly.

The CHAIRMAN. But Congress will have nothing to do with the disposition of the funds.

Mr. COWLES. Why not?

The CHAIRMAN. The Senate bill provides for a board of trustees to handle these funds and to carry out——

Mr. COWLES. But that board of trustees should be at all times in the control of the people's Representatives. That is what you are here for.

The CHAIRMAN. Let me make this suggestion: Do you think that the House of Representatives, made up of good men as it is, would be as safe a board of investment as the board of trustees of a mutual savings bank?

Mr. COWLES. I should be very sorry if they were not.

The CHAIRMAN. I should be marvelously surprised if they were.

Mr. COWLES. Well, now, I think that very few—if Mr. Weeks is here——

The CHAIRMAN. But leaving out the personal equation entirely.

Mr. COWLES. This is the personal equation, the fact that Massachusetts has sent a man here preeminently able to represent them here is of itself mighty good evidence of the position that I take. Further than that, I say the same of all the Representatives of Connecticut—Mr. Hill, Mr. Henry, Mr. Sperry, and all the other men who are here. They are pretty safe men to look after the common interest, and I think the same thing may be said of the members of this committee here. As I look at it, the real issue in this whole matter is the question as to the functions of government. I think that is the whole issue here. The question is whether the Government shall be a mutual business corporation, looking after the general interests of all the people.

Mr. LLOYD. You do not mean to convey the idea, do you, that the Congress should have control in any way excepting in directing what should be the law?

Mr. COWLES. I will tell you what I was going to say. I seriously object to a board of trustees as appointed by this bill, for that would be practically made up by the President himself. It would be practically putting the whole business in the hands of the President of the United

States. I do not believe in that. If I had my way about it, if I were a Member of this House, I should advocate a board of trustees at least as large as that of the Savings Bank of Schenectady, which is composed, as my friend Mr. Johnston said yesterday, of 13 members. And I should like to see the board made up in this way: Three members who are appointed as they are here, and 10 others, each one of them a Member of the House of Representatives, and taken, one of them, from each of the 10 districts into which the country is divided by the Interstate Commerce Commission. And in that case I should expect, and I think this would be the result, that then you would have a postal committee practically holding office, of course, through their time in Congress until their successors were elected; a postal committee always in close contact with the people and thoroughly conversant with the establishment. And I think that you would find that those men would be elected continually year after year.

Mr. LLOYD. Then you would have the same trouble, would you not, that the Congress is now having about the Joint Committee on Printing; you would have the Government engaged in commercial business; you would have Congress performing two functions, holding two offices at the same time.

Mr. COWLES. You are doing a commercial business right now. The Post-Office itself is a commercial business.

Mr. LLOYD. But the Post-Office, as such, is controlled by an administrative officer, and not a legislative officer.

Mr. COWLES. Well, you have the Interstate Commerce Commission, which you call a legislative body to-day.

Mr. LLOYD. But the Interstate Commerce Commission is in no sense a legislative body, because it has no power to pass a law.

Mr. COWLES. It is practically given, by Congress, a very large power as to making rates.

Mr. LLOYD. But it does not fix rates. All that the Interstate Commerce Commission can do to-day is to say that a rate is a reasonable rate or is not a reasonable rate. It has no power to fix a rate.

Mr. COWLES. I think that the Congress of the United States is the common business corporation of the United States, and that there are certain classes of business that it has got either to undertake, or else the Government of the country is going to fall practically into the hands of those men who have that business. I think that is preeminently the case in relation to matters of transportation and communication. Give me the control of the roads of the country, and I am the government de facto, whoever may be the de jure. And the same thing practically applies in this case here. I do not think you can get rid of that.

Mr. LLOYD. Then you believe in government ownership?

Mr. COWLES. Most assuredly; I believe that you and I should control our own movements and the movements of our products.

Mr. LLOYD. You believe that whatever business is to be performed by the Government should be performed by the legislative body rather than by the executive branch of the Government?

Mr. COWLES. I think the legislative should always have that business under its control. I think that the legislative body should do for the public just what the directors do in any other corporation.

I think that they should always have it in their own hands. And any business corporation that is successful must necessarily do the same thing. That is the case with the mutual savings banks of Massachusetts, and all throughout the country. They have the control. They are under the action of the Treasurer and the action of the President.

The CHAIRMAN. Do you represent the Postal Progress League in advocating government ownership?

Mr. COWLES. Most assuredly I do. The truth is that I organized the Postal Progress League especially for the purpose of educating the public on the line of the extension of the Post-Office over the whole business of public transportation and transmission. I organized it for that purpose. And I am frank to say that, in my opinion, the postal savings banks will draw out from the pockets of the people a very large amount of money that may be well invested, and will be invested, throughout the new portions of the country for the improvement of good roads and for the extension of railway service itself.

Mr. LLOYD. May I ask this question: The Postal Progress League, then, stands for government aid to public roads?

Mr. COWLES. The Postal Progress League——

Mr. LLOYD. Does it?

Mr. COWLES. Will you please let me express myself, sir? The Postal Progress League, its first and fundamental principle is the widest possible extension of the sphere of the post-office, its most economical and efficient administration, and I am frank to say that in the view that I had in mind for its organization—because I founded it and I am its leader—its aim and end was to bring about an extension of the sphere of the post-office over the whole great road business. I think, so far as that is concerned, that we have got to get it. There is no other possible way of meeting this situation, and I look at these postal savings banks as an embodiment along those lines. I might say that I have some bills before your committee—there is not time to take them up to-day—but I very much hope that you will give me an opportunity ere long to set forth my argument on those lines.

Mr. LLOYD. I would like to ask you, Mr. Cowles, if you can answer this general question: You are in favor of the Government building and owning the roads? You are in favor of the Government building and owning the railroads?

Mr. COWLES. Yes.

Mr. LLOYD. You are in favor of a general parcels post?

Mr. COWLES. Yes, sir.

Mr. LLOYD. You are in favor of postal savings banks?

Mr. COWLES. Yes, sir.

Mr. LLOYD. And you would enlarge the plan beyond the provisions of this bill?

Mr. COWLES. I am very well satisfied with this bill as a starter; very well satisfied with it, excepting this: I do not think that it is safe for the country to extend the further powers of the Executive. I think that is exceedingly dangerous. And as a New Englander, brought up to feel that the highest office in the country is that of the American citizen voter, I think that we ought to safely guard his interests.

Mr. LLOYD. Then, according to your view, if the powers are to be vested in the administrative branch or the executive branch of the Government, the enlarged powers that would come by reason of owning the roads and by having a general parcels-post system and by reason of a postal banking business, you would think it unwise to engage in all this line of business unless it was placed under the control directly of the legislative branch of the Government?

Mr. COWLES. I think the legislative branch of the Government, as the directing force, must have semicontrol. That is the only commonsense way of looking at the thing as it appears to me; that you must have control of the business, and whoever is your Executive must hold the same relation to you that the president or the treasurer of any corporation holds to its directors. The directors are always the men in charge of the business.

Mr. LLOYD. Then your idea is that the Executive should be subject to the legislative body?

Mr. COWLES. I think that if things go on as they appear to be going on to-day, when you allow the Executive to determine all the laws and to appoint all the postmasters and to control the whole business of this country—I think if that goes on a dictatorship is close at hand. And further, I think there will be a struggle here under which the railroad corporations of this country will put a man there who will make his power entirely subservient to their interests. You are the directors. You are the business corporation of this country, looking to the common interest, and to you we look for protection.

The CHAIRMAN. Mr. Cowles, you said something about the money in the pockets of the people. I presume you referred to money that would naturally be deposited if people had a safe place in which to deposit it?

Mr. COWLES. Yes.

The CHAIRMAN. Have you any evidence as to the amount of money that may be available for deposit in postal savings banks?

Mr. COWLES. I don't think that anybody can tell anything about that.

The CHAIRMAN. It is a theory, which is probably true to some extent, but nobody has any idea.

Mr. COWLES. Nobody in the world. But clearly this is the fact, that you would have a place where money could be absolutely safe; then that money would come out and be used for the common benefit, and for their benefit as well.

Mr. LLOYD. Is there any money in hiding in European countries where they have postal savings banks, so far as you have knowledge?

Mr. COWLES. I don't think you or I could tell very much about that. I think in all probability there is much, but that the larger amount of money gets into the postal savings banks, although there is this difference in the old country: There is a general feeling there that the government is a power above them. Here we feel that we are all kings, we that make the Government, and that makes all the difference in the world. When I put my money into a postal savings bank I am its director and its treasurer and its controller myself, through my Representatives in Congress. I determine; and that is the great thing that we need to cultivate in this country. That is the doctrine in old New England, that the highest office in this country is that of the citizen king. That is what you and I understand it to be.

The CHAIRMAN. Mr. Cowles, your general theory is that if the postal savings-bank bill is passed, that the rate of interest which will be paid on deposits will be 2 per cent. There does not seem to be very much dissent from that. How do you think the residents of Farmington will feel about depositing money in postal savings banks at 2 per cent when it may be put in the mutual savings bank and 4 per cent received on it?

Mr. COWLES. I think that would be entirely a question of their confidence in the one, and not in the other. I do not think, Mr. Chairman, as has been suggested here, that the establishment of postal savings banks will, by any manner of means, lead us toward an increase in the interest charge. I think this, that a large portion of this country would like to have a place where they could put their money and feel perfectly safe, even if there was no interest. I should be glad of that myself.

The CHAIRMAN. Let us suppose that we get two or three millions of people depositing money in postal savings banks at 2 per cent, and the people who have made these deposits decide that they ought to be paid a higher rate of interest. What do you think the result will be?

Mr. COWLES. When those two or three millions of people are themselves the depositors in their own banks, and they have control of their own business, I do not think that that is the question; I do not think there will be any trouble arising from that situation.

The CHAIRMAN. Do you mean that the rate of interest would be increased?

Mr. COWLES. I do not. I do not mean anything of the kind. I think that under such conditions, having their representatives in Congress looking after their own affairs, that both sides—there is a point here that has been neglected altogether heretofore, and that is the men who borrow. Quite as many people who put money in the banks are borrowing. I have done the same thing myself, and we are interested on both sides.

Now, under your position, the great thing to protect to-day is the man who runs the private bank; to bring about a condition of things so that he can get his money at a small per cent and loan it out at a big per cent. I stand here to-day representing the common interest of the borrower and of the loaner and of the whole people. That is the object for which I founded this organization, because I realized that only through the securing control of and the movement of our produce could we save this democracy. That is what I am after, Mr. Chairman.

The CHAIRMAN. You would not be in favor of the Government establishing any postal savings banks or any other business establishment unless the Government made a suitable charge so that it would be reimbursed for its cost of operation?

Mr. COWLES. I am not so anxious about that part as I am for the public savings part of it.

The CHAIRMAN. If you do not provide against that, then you would be taxing Mr. Lloyd, say, for the purpose of providing a safe place for your money.

Mr. COWLES. Oh, no; I am taxing Mr. Lloyd in that case for Mr. Lloyd. He is just as much interested as I am.

The CHAIRMAN. But he may not have put any money in the bank.

Mr. COWLES. Now, right there. I heard Mr. Gardner yesterday talking about Indian Mills, and the great danger that might occur about bringing money from somewhere else. Upon that I am inclined to smile, because there is never going to be such a big amount of money collected at Indian Mills that the postmaster could not take it in his pocket to a larger city and leave it.

The CHAIRMAN. Did you hear somebody testify yesterday that there had been about 100 post-offices in New York State broken into within a year and the money drawers and safes rifled?

Mr. COWLES. Oh, yes; and that, in itself, is a pretty strong criticism upon the general idea in this country that our wages are so very large, because, gentlemen, when times are prosperous men do not keep it in anything like the proportion that they do in times of distress. I think that is a pretty safe proposition.

Mr. LLOYD. Isn't it true, as a matter of fact, that to-day we are losing more money by theft through the post-offices than we are losing from every source through the banks?

Mr. COWLES. I doubt that very much; I doubt that exceedingly.

The CHAIRMAN. Have you any particular figures that you wish to submit, Mr. Cowles?

Mr. COWLES. I have no figures. I wanted to speak to-day upon the general proposition, and I think I have covered the points that I wanted to make very well. I thank you very much, indeed.

COMMITTEE ON THE POST-OFFICE AND POST-ROADS,
Tuesday, March 22, 1910.

The committee was called to order at 10.50 a. m., Hon. John W. Weeks (chairman) presiding.

STATEMENT OF HON. JOSEPH W. FORDNEY, A REPRESENTATIVE FROM THE STATE OF MICHIGAN.

The CHAIRMAN. You may proceed, Mr. Fordney.

Mr. FORDNEY. I don't know what I can add to what I have already stated upon this subject to the committee, excepting to answer any questions that any gentleman might wish to ask me. I do, however, want to put considerable stress upon the fact that I believe that this bill should be so changed that no exigency should arise that will occasion the withdrawal of money from the banks excepting to invest the same in Government bonds in time of war. That will make the bill constitutional, as I understand it. Before the Government has any right, legal right, to establish banks, as I understand it, through the country for the collection of money in this manner, it must be said that the banks must be established as a part of the machinery of the Government.

Mr. FASSETT. For the purpose of borrowing the money?

Mr. FORDNEY. For the purpose of borrowing the money at a time—oh, the Government might say that it is absolutely necessary, and that this is one way of relief. But I do not believe that any exigency should arise that would permit the taking of money from the local territory, or the banks; taking it away from the rural districts, excepting in time of war when it might be wise for the Government to

raise money in that way instead of selling the government bonds, or endeavoring to send the bonds abroad——

Mr. FASSETT. Your proposition is that if the postal savings banks succeed at all, that they will attract for deposit not only the money in those communities in hiding in stockings, under the hearths and in the stovepipes and other places, but that they will draw away money from other sources that are now already available for uses locally?

Mr. FORDNEY. Yes.

Mr. FASSETT. Otherwise, if the postal savings banks only drew into official depositories the money that was now in hiding, the local banks would not be affected. It is only that the postal banks may take something that is not now in hiding but already on deposit and subject to local use.

Mr. FORDNEY. That is correct; and to illustrate what I base my opinion upon, I will say that I do know that during the financial flurry of 1907 in our city, where we have $15,000,000 deposits in all of the banks of Saginaw, Mich., there was more than $50,000 withdrawn in one week and invested in postal money orders.

Mr. STAFFORD. How much of that $15,000,000 went into savings funds on time deposits?

Mr. FORDNEY. I could not tell you that. We have savings departments in about one-half of our banks. We have four savings banks.

Mr. STAFFORD. Have you any exclusive savings banks in your city?

Mr. FORDNEY. No. We have what is called the Saginaw County Savings Bank, but they have two departments, a commercial and a savings department.

Mr. STAFFORD. I assume that this $50,000 that you spoke of represented savings funds of the depositors who did not have confidence in the security of the banks?

Mr. FORDNEY. Yes. Now, let me give an example. We have two postmasters in our town, and I believe it is the only city in the country which contains two first-class post-offices. One of the postmasters is a business associate of mine; we have office rooms together. I happened to be in the post-office when a lady came in and presented a check for $800 and wanted a postal money order. I noticed the postmaster speaking to her, and he said that he could not accept the check. Then she asked if she could get the money if she brought the cash, to which the postmaster replied, "Yes." She walked out, and while I still remained in the post-office she came back with the cash, and after the postmaster had waited upon her, he turned to me and said, "That is $1,200 that woman has brought in here within the last two days, taken out of the bank." She stepped across the street, took that money away from the bank, and took the money orders, payable in her own name. Several months later she brought the orders back, got the money for them, and put the money back into the bank. Now, gentlemen, if by the passage of this law you provide a proper and a safe place for the deposit of this money, it will bring the money back into the banks again, which is going to be an aid in the expansion of currency in such times, instead of a contraction, because each and every one who is timid, and who has deposits, and there are many of them in times of that kind, will pull their money out of the banks and put it away in hoarding places, and

they could then find some way of putting it back in circulation; that is, by depositing it in the post-offices, and the post-offices putting it back into the banks again. On the other hand, the bill will be beneficial in drawing from hiding places this money that has been spoken of by Mr. Fassett as being hidden away in stockings, stovepipes, and various other places.

Now, I knew an eccentric bachelor in the adjoining county to where I live who three or four years ago died in his own home. There was found, in his house and about the barn, in kettles and boxes—an iron kettle away down in the middle of the haymow—all told $50,000 in and about the home.

Mr. FINLEY. Do you think that any government arrangement that we might make, either by establishing postal savings banks or otherwise, would have reached that man and brought out that money?

Mr. FORDNEY. It is quite possible that it might have been done, but there is no other banking system that I can think of that would have caused him to bring it out, because if a man has any confidence in any banking system it would be one that the Government was back of.

Mr. LLOYD. Under the proposition in this bill he could only have deposited $500 of that $50,000.

Mr. FORDNEY. That is true, but each and every member of the family can do that under this bill.

Mr. STAFFORD. Mr. Fordney, as a director in a bank and as one who is personally acquainted with the banking business, what is your view as to whether the Government should place any limitation upon the amount of money that can be deposited by a person in a postal savings depository; not the amount that may be deposited in any one year, but the total amount that may be deposited with or without interest, and which would have reached a case such as you have described?

Mr. FORDNEY. I believe the limitation fixed by this bill as it passed the Senate would reach all the money that would be put into hiding, practically all. I base that statement upon the statistics furnished recently as to the deposits in England, Ireland, and Scotland. Just the other day I saw that on the 1st day of January, 1910, there were deposits in the postal savings banks of the United Kingdom of a total of $802,000,000; that there were more than 11,000,000 depositors, and an average of $70.95 per capita deposited. That means that they are practically all small depositors.

Mr. SMITH. Isn't it true that in those countries they have no general banking system, and that the people are not educated to use other banks?

Mr. FORDNEY. I don't think, Mr. Smith, that the banking laws and facilities of England are anything like those of Canada. I think that Canada has a very fine system of banking laws and of banks themselves.

Mr. SMITH. But is the number of banks in England——

Mr. FORDNEY. I don't know about that as to Great Britain; I have never been there.

Mr. HAMER. Referring again to the eccentric man that you spoke of a moment ago as residing in an adjoining county, and in whose home in iron kettles and various other places there was found $50,000. That man was evidently a cynic and a miser, was he not?

Mr. FORDNEY. Oh, yes; that was an extreme case, of course.

Mr. HAMER. Is it not a characteristic of the miser to want the money itself; the possession of the money itself?

Mr. FINLEY. Yes; does he not want to see it?

Mr. FORDNEY. Speaking in a humorous vein, I would say that not being a miser I am unable to judge positively, but I imagine that is true.

Mr. HAMER. As a matter of fact, do you think that any savings bank, postal or otherwise, would have reached that case?

Mr. FORDNEY. Well, if any bank would have reached it, it would have been the one operated by the Government.

Mr. HAMER. Is it not true that instances of that kind occur in countries where they do have postal savings banks?

Mr. FORDNEY. I don't know, but I think they do.

Mr. STAFFORD. I should like to have your opinion upon this provision in the bill which is found in the bill introduced by Mr. Madden on March 17, 1909 (H. R. 1476), as follows: "The deposits of any one individual, provided for in this act, shall not exceed $300 in any one year, and when the amount of deposits standing to the credit of a depositor shall exceed $1,000, no interest shall accrue on the sum in excess of said $1,000."

Mr. FORDNEY. Mr. Stafford, I would not change the present bill as it came from the Senate as to the amount that any one person can deposit per month or the total deposits. I think that is very reasonable.

Mr. STAFFORD. That may be all right as to the limitation of the amount deposited in any one year, but I wished to have your opinion as to whether any limitation should be placed on the total amount that may be deposited in continuing years.

Mr. FORDNEY. It might be wise not to put in any limitation, but I can hardly speak intelligently upon that.

Mr. STAFFORD. If these funds are going to come back into the depositories, the local banks, what objection can there be to reaching these funds that are placed in strong boxes or in hiding?

Mr. FORDNEY. Absolutely no objection if you provide a plan here that will drive the money back into the banks and into circulation; that will be an aid to banks, and that will prevent a panic in such times as we had, say, in 1907. I think the law would be a great benefit if a provision can be enacted here that will require the immediate deposit of that money in the local banks, and under no circumstances permit it to be taken away from the local banks, or the local territory, excepting in time of war.

Mr. MURDOCK. Under the ordinary course of the banking business of to-day, there is a natural drift of surplus money at certain seasons of the year from our part of the country, the Central West, to the East, is there not?

Mr. FORDNEY. Yes, sir. That, Mr. Murdock, is at a time when your banks have a surplus of money and they can find no place to loan it. But they may send it to New York and get 2 per cent on it, or whatever the rate of interest is there, and that is why it finds its way to the great money centers.

Mr. MURDOCK. Yes, I understand that. Now, would a postal savings bank system emphasize or exaggerate that movement in the least?

Mr. FORDNEY. I don't think so; it might, however.

Mr. MURDOCK. How could it?

Mr. FORDNEY. Well, I don't know that it could.

Mr. GARDNER. Now, let us assume a case. Suppose there are 200 depositors with an average deposit of $1,200 each in a local bank, money that comes in the ordinary course of business, and that would be used in discounts, and all that. Suppose that practically all of the clients should withdraw that money from those banks and put it into postal savings banks, and then it comes back into the banks again in one lump subject to the government call. Isn't that money more likely to go to the money centers and to be invested on call than if it was in the banks in the names of the 200 different depositors?

Mr. FORDNEY. Oh, I don't think so. At times, when there is a great demand for money in the Central West for the handling of crops there, and it is taken away from the money centers of the East to carry the crops, then it is gradually driven back into the money centers as the demand becomes less in the rural districts; and anything that will take that money away from the rural districts at a time when it might be most needed is of course dangerous legislation, and that is why I want to throw considerable stress upon that point.

Mr. FASSETT. I think that Mr. Gardner's question addressed itself to this: In most of the banks there are a variety of deposits—the ordinary deposit, the current account, the certificates of deposit on time, six months or three months, when they draw interest, and then possibly savings deposits in the same bank.

Now, as long as those deposits are distributed among, say, from 300 to 3,000 depositors, there is a percentage, almost unfluctuating, of money that will not be called for and which the bank is at liberty to use in local discounts; but if those deposits of the savings variety, 200 or 300 of them, are going to the postal savings bank for greater security, and ten, twenty, thirty, or fifty thousand dollars is thus withdrawn from the bank and put right back into the bank by the Government, then it is put in there by one depositor subject to demand. Now, would the bank feel at the same liberty to loan that money as freely, under those circumstances, as when it was held on check by three to five hundred different depositors? And then again, and right there, you propose that the Government shall not withdraw that money excepting in time of war.

Mr. FORDNEY. Yes.

Mr. FASSETT. So that the one depositor, then, is by law forbidden to withdraw his demand money excepting in time of great stress, and isn't that just the time when they want the money there?

Mr. FORDNEY. If I get the trend of your argument, it is about this: That the real depositors, who have directly deposited that money in the bank, withdraw it and put it in the post-office, which in turn puts it back into the bank again as a deposit by the Government. Well, I should think that the banker would feel far more secure in taking it from the Government if the money could only be withdrawn in time of war.

Mr. FASSETT. That you emphasize very strongly?

Mr. FORDNEY. Very strongly indeed.

Mr. SMITH. But it is understood that the Government may withdraw the money from the bank for the purpose of paying the demands of depositors?

Mr. FORDNEY. Oh, yes.

Mr. FASSETT. And that keeps it in the community, as I understand it.

Mr. SMITH. When you speak of the Government withdrawing it, do you mean that the Government withdraws it in bulk and sends it to another part of the country?

Mr. FORDNEY. Supposing that you are a depositor in the postal savings bank in your town. You put your money there and you draw upon it the same as you would for commercial purposes if you put it in a bank. It goes directly into the bank. When you demand your money from the post-office, then you do it not because you are frightened, but for the purpose of putting it into the natural channels of trade, and it will find its way back into the bank immediately.

Mr. SMITH. You said a while ago that as between the individual and the Government, as a banking man, you would rather have the Government for a customer. What difference does it make?

Mr. FORDNEY. If that money could only be withdrawn by the Government to be invested in government bonds in time of war——

Mr. SMITH. But what difference would it make? That money will lay in that local bank until the owner comes to the post-office and calls for it, or in the other instance comes to the bank direct and gets it.

Mr. FORDNEY. The difference is whether you and I are small depositors or the Government is a depositor. In such times as in 1907——

Mr. SMITH. If the customer comes and applies for the money?

Mr. FORDNEY. But, as I say, he is not going to call for it.

Mr. SMITH. But under ordinary business conditions, there would not be any difference to you as a banker, excepting as to the interest?

Mr. FORDNEY. Yes; the danger of its being withdrawn at a time when the bank needs it.

Mr. SMITH. But there is not any danger of its being withdrawn unless the owner wants to use it under normal conditions.

Mr. FORDNEY. Oh, no.

Mr. SMITH. Then he would go to the post-office and make his demand.

Mr. FORDNEY. Under normal conditions it would not make any difference; not much, any way. But you and I can not tell when such a condition is going to arise as did arise in 1907. Suppose you have a bank with a capital of $100,000, and you have from $500,000 to $1,000,000 deposits; $100,000 of that has been withdrawn and put into the post-office depository, and in turn it comes right back into the bank. You know that $100,000 is not going to be called for; you are dead sure of that.

Mr. SMITH. As a result of panicky conditions?

Mr. FORDNEY. As a banker you would know that every dollar of that money in your bank that came from the post-office would not be called upon, and you could depend upon having that money at all times excepting in time of war.

Mr. STAFFORD. And you could, with that certainty, be more assured of investing that money in permanent securities than if the money was under the demand of individual depositors.

Mr. FORDNEY. Yes; and I should think it would be a great benefit to the banker at such times to have a law that would bring that about.

Mr. GARDNER. But you have put up security for that money.

Mr. FORDNEY. That was one of the important matters to be considered in the framing of this bill—what kind of securities and how much in proportion to your deposit shall be put up. For instance, as to the percentage of security for the total deposits to be put up, that is a matter to be determined here. I understand, however, that if this money were so deposited that the Government has the first lien upon the assets of the bank in case it fails, so that under such circumstances, in my opinion, it would not be necessary to call upon the bank for 100 per cent security.

Mr. GARDNER. That weakens the security of all the other deposits, does it not?

Mr. FORDNEY. Yes; yet not, because the Government stands back of the deposit. It is a bank guaranty in every sense of the word.

Mr. GARDNER. Then does not that cease to be a bank transaction other than that the banker, by putting up the security of the bank, in effect has borrowed the money from the depositor who is barred by law from calling the loan, which might be equally so by contract with private persons?

Mr. FORDNEY. He is simply a preferred creditor. Suppose you are the banker and owner of the bank, practically, and you have $100,000 deposits in your bank that came in through the post-office. You have $500,000 total deposits in your bank, and that $100,000 is secured by the Government and the Government has the first lien upon that $100,000. It is simply the preferred creditor in every sense of the word, and in that case the Government is securing the bank deposit.

Mr. GARDNER. It seems to me, Mr. Fordney, that the relation of the banker to the depositors ceases right there, and that the thing, so far as banking principles are concerned, ceases to be a deposit, but becomes a loan of the Government to the bank.

Mr. FORDNEY. Mr. Gardner, I can not call your attention to a bank, with one exception, in our city in my recollection, that has failed, either under the state law or federal supervision, that has not paid depositors 100 cents on the dollar.

Mr. FASSETT. I think Mr. Gardner's question was this: This bank with $500,000 deposits, and $100,000 belonging to the Government, the Government being secured in that $100,000 by the assets of the bank which otherwise would be devoted to meeting the $400,000 of deposits, weakens by just so much the security behind the other $400,000.

Mr. FORDNEY. Well, now, for instance, if it did not pay 100 cents on the dollar then it would——

Mr. FASSETT. Your point is that when the entire security is adequate for all the money, then it does not weaken the security behind any of the money?

Mr. FORDNEY. No.

Mr. GARDNER. On that I assume that you would not need any security at all.

Mr. MURDOCK. There are two well-known forms of deposits in western banks that I know of, the first a demand deposit by the ordinary citizen in the course of business, and the second a time deposit, the time deposit usually carrying interest. Now, let us suppose that there are two bankers, Banker A and Banker B. Banker A has only time deposits, and Banker B has only demand deposits. Is Banker A, who has only time deposits, more apt to let his money go to New York than Banker B who only has demand deposits?

Mr. FORDNEY. I would think so; yes.

Mr. MURDOCK. Then you think that the banker who had the time money would be more inclined to let his money drift East than the man with the demand money?

Mr. FORDNEY. I don't know just what point you are trying to make by saying that he would be more apt to let it drift East. He would be more apt to put the money in the postal savings bank.

Mr. MURDOCK. I am talking now purely about the banker, the western banker, who has two kinds of deposits, one time and one demand deposits, in his bank. The time deposits draw interest and the demand deposits do not. Now, in order to get it more clearly, I took two bankers, Banker A, who only has time deposits in his bank, and Banker B, who only has demand deposits. Which of those two bankers would be more inclined to let his money go East?

Mr. FORDNEY. It is a pretty hard question to answer; but I would naturally say that the man who had the demand deposits would be more apt to let his money go East.

Mr. HAMER. For the reason that the man who had the time deposits is paying a rate of interest, and on those time deposits he pays in excess of what he could demand from the East?

Mr. FORDNEY. Yes; and from the fact that he pays interest it necessarily forces him to get that money out at all times.

Mr. MURDOCK. With that answer from you, and that belief, isn't it true that postal savings banks by getting the original deposits of citizens in post-offices, and thereafter depositing the money in the local banks at a rate of interest, would naturally cause the money to stay in the community in which it was deposited?

Mr. FORDNEY. Yes; the rate of interest asked by the Government is so much lower than that paid by the average bank that it would not have the same tendency, in my opinion.

Mr. STAFFORD. Is not the determination of Mr. Murdock's query determined more by the character of the deposit—that the savings fund is one that continues for a long period of time, which enables the banker to invest it in long-time securities, whereas current funds are not of that character because of the transitory state of business?

Mr. FORDNEY. I was going to say that the savings bank that does a savings-bank business purely, and no other, pays from 3 to 4 per cent, generally 4 per cent, and they can not afford to send that money to New York on deposit and get 2 per cent for it, and that forces it out into securities in the local territory where the bank is located. But the bank doing a commercial business only sends its money East to accept this low rate of interest when they have a large volume of money, more than needed, when it is placed on call in New York, and they can get it on demand, and, of course, much quicker than if it was loaned at a higher rate of interest at home.

Mr. GARDNER. If I have understood you, you regard a deposit of $100,000 made by the Government for which the bank has security under the present law as of more value because of its probable greater permanency in times of stress than an equal amount deposited by the ordinary depositor in a bank?

Mr. FORDNEY. Yes, Mr. Gardner; and I will tell you that I have only been opposed to this law ——

Mr. GARDNER. But I want to follow that.

Mr. FORDNEY. But let me go back and answer your question. I have always been opposed to this law, but I can begin to see, as it appears to me now, that if you put around this law sufficient safeguards—that is, if the money can not be taken out of the banks upon every trivial matter that comes up—then you are establishing a most beneficial law because it will bring the money from hiding.

Mr. GARDNER. Well, let us admit that; if it is true to the extent of $100,000 of a bank's deposits, why is it not true as to the whole $500,000 of the bank's deposits? If it is better for the bank to borrow, in effect, from the Government $100,000, because of its greater permanency, why is it not better for a bank to borrow all of its capital and dispense with the deposits? If you would be right in that proposition, why not take off all limit, and provide that all of the money——

Mr. FORDNEY. Oh, no. I believe that you gentlemen will agree with me that if there is any good in this law it is in that it will bring from the hiding places the money at times when the commercial centers need it.

Mr. GARDNER. Yes; if you confine your proposition to that, and not bolster that up with a proposition of the superior value of this deposit coming into the bank from the Government when you don't stand by it.

Mr. FORDNEY. I do stand by it.

Mr. GARDNER. Then, why not stand by the whole? Why would it not be better for the bank to borrow the $500,000 from the postal savings fund or somewhere else?

Mr. FORDNEY. Oh, I think that those two features of this question are not to be connected.

Mr. GARDNER. But where do you draw the line? You say that this $100,000 coming to the Government is a better deposit.

Mr. FORDNEY. You draw the line when you have reached the money that goes into hiding.

Mr. MURDOCK. You have added that much.

Mr. FORDNEY. You have added that money to the volume in the country to do business with.

Mr. GARDNER. Then, the whole value of this bill depends upon the proof that can be adduced as to the amount of money that goes into hiding?

Mr. FORDNEY. I think so, very largely. Now, the point that I have in mind is this: Of course, I may be wrong, I am not fully set in my way, and I want to get just as good a bill as it is possible to make. But my point is, that in times of financial flurry, when the depositors become alarmed about their security, it being all the money that they have in the world, and if deposited in banks they go and draw it out, taking it away from the natural channels of trade and putting it into hiding. And that does everybody harm. But if

the Government goes into this business in a safe and sane way, as it appears to me it should, then there is a means furnished by which this money can be brought out and not kept in hiding.

Mr. COX. What is there in any of the bills that have been presented that would cause that money to come out of hiding?

Mr. FORDNEY. It is the security back of the money. No one questions the ability of the Government to pay.

Mr. COX. The guaranty?

Mr. FORDNEY. The guaranty; yes, sir.

Mr. FINLEY. You have stated that the deposits in these Saginaw banks are about $15,000,000.

Mr. FORDNEY. Yes, sir.

Mr. FINLEY. How much do you estimate, in the course of five years' operation of this proposed postal savings-bank act, would be deposited in the postal savings bank of your town in, say, five years?

Mr. FORDNEY. Well, we have a considerable foreign element there, and it has been largely argued that it is the foreigner who is the most timid about putting his money in our banks.

Mr. FINLEY. Where do they deposit there now?

Mr. FORDNEY. When they deposit at all they deposit in our banks; and I will say that the woman that I spoke of who withdrew her money in my presence was a foreigner.

Mr. FINLEY. What do you estimate would be the percentage?

Mr. FORDNEY. Well, it would be pretty hard for me to state that, but, perhaps, in our city, which is larger than the average country town——

Mr. FINLEY. A couple of million dollars?

Mr. FORDNEY. I would not think it would be that much.

Mr. FINLEY. A million dollars?

Mr. FORDNEY. Yes; and maybe not that much.

Mr. FINLEY. Now, right there. Your position, as I understand it, is that you are unalterably opposed to any postal savings-bank system that will not provide an anchor, so to speak, for the redepositing of the money placed in the postal savings bank in the local banks?

Mr. FORDNEY. Yes, sir.

Mr. FINLEY. Now, you admit, of course, that the banks receiving those deposits from the Government must give security—that is, state or municipal bonds, or a proper security of that character. That is true, is it not?

Mr. FORDNEY. Yes, sir.

Mr. FINLEY. You have seven banks in Saginaw, Mich.?

Mr. FORDNEY. Seven banks; yes.

Mr. FINLEY. What is the capital of those banks, the combined capital?

Mr. FORDNEY. I think it is about $2,000,000.

Mr. FINLEY. Now, if there would be $1,000,000 deposited by the patrons of the postal savings bank, and that money was to be redeposited, then it would be necessary for the banks of Saginaw, Mich., with a capital of $1,000,000, to have the amount of their capital invested in securities of that character, state or municipal bonds?

Mr. FORDNEY. Yes.

Mr. FINLEY. In order to secure the Government for the redepositing of that money?

Mr. FORDNEY. If you put it at 100 per cent security; yes.

Mr. FINLEY. Now, what amount of state and municipal bonds, approximately, have the banks of Saginaw, Mich., at this time?

Mr. FORDNEY. I am unable to answer that question. I don't know.

Mr. FINLEY. So far as you know?

Mr. FORDNEY. For instance, one of the banks that I am interested in——

Mr. FINLEY. And the capital is what?

Mr. FORDNEY. One hundred thousand dollars; and they have $125,000 surplus. Generally they have about $100,000 in municipal bonds, but the amount varies.

Mr. FINLEY. Would you say that that proportion would hold good in the other banks?

Mr. FORDNEY. I would naturally say that it would, though the banks under the state laws might have a little more; I don't know.

Mr. FINLEY. Is it true or not that that large percentage, a percentage equal to the capital stock of the banks of your town, invested in state and municipal bonds would hold good as to the banks throughout the country?

Mr. FORDNEY. Well, that would be only a guess if I gave you a statement upon that.

Mr. FINLEY. Don't you think it would not hold good?

Mr. FORDNEY. Perhaps not, and yet I am unable to say. I don't know enough about the banking business or the system in other cities to speak intelligently about that.

Mr. FINLEY. That would be a question to be very gravely considered in this matter, would it not?

Mr. FORDNEY. Yes, I should think it would; and yet, gentlemen, the securities of banks that I am interested in, and I presume others are very much the same, the rate of interest crowds around 5 per cent—4½ to 5 per cent—and the banks only invest in those bonds when they feel that they have the money to spare and can use it outside of the natural commercial channels.

Mr. FINLEY. As to the matter of interest, do you think that it would make any serious difference with persons who would certainly be depositors in the postal savings bank what the rate of interest would be, whether it would be 2 per cent, 3 per cent, 1 per cent, or no per cent?

Mr. FORDNEY. Oh, I think the Government ought to pay a rate of interest.

Mr. FINLEY. I am not speaking of that. I am speaking of the amount of deposits that would come into the banks certainly.

Mr. FORDNEY. I don't know as I quite get your idea.

Mr. FINLEY. Take people who wish security above all things, this class of stocking money; that class of people who would deposit in postal savings banks because of the security. Would the question of the rate of interest make any material difference with them as to what they would do?

Mr. FORDNEY. Well, that question makes some difference with some men, and with some it does not. With those who are not satisfied with our present banking system, and most of those who don't deposit at all, they would rather take the lower rate of interest and have the security. And, as an illustration, in 1896 I had a man working for me, a German, a foreign-born German, a very faithful fellow and a thrifty man, who had fifteen or twenty thousand dollars in money loaned on good security. He came to me about two weeks before the election in 1896—and I am not talking politics, but give this as an illustration—and he said, as I was about to drive out of the barn, "Are you in a hurry?" I said, "No." He said: "How do you think the election is coming out?" I told him what I thought about it, and then he asked me what I thought of the Bank of Saginaw, and he said, "Is it all right?" The Bank of Saginaw was one of our largest banks. I said: "Why do you ask me that? I think that bank is all right, one of the best in the United States, and the management is exceedingly safe." He said: "Well, I will tell you. Yesterday I received a payment on a mortgage of $2,200. I am afraid that we are going to have free silver, and I am afraid of my money. It is in the Bank of Saginaw. That mortgage was payable in gold, and while it was not paid in gold, the bank told me that I could have it at any time that I demanded it, and I am going down and take the money out and put it in hiding." I said: "Why do you do that? The bank is all right." He said: "I figure it out this way: I have some money in the savings department of the bank upon which I am drawings 3 per cent interest. If free silver does not carry, then I will only lose my interest from now until after election, and if it does carry it will be worth $2 for $1 and I am going to have it on hand." But I persuaded him not to do it. Three or four days afterwards he came to me smilingly and said that he had found a way out; that he had loaned his money on a farm, 40 per cent of its real value, on a mortgage. But he was like a great many others.

Mr. MURDOCK. Following that illustration, is it not almost a truism that the depositor has in mind two things, security and interest; that during abnormal times and panicky times the element of security looms large in the depositor's mind, and that during normal times the element of security lapses, and the idea of interest becomes the main idea?

Mr. FORDNEY. Certainly; the depositor then seeks the highest rate of interest. The condition of the times fixes the view point of the depositor.

Mr. FASSETT. I do not want to cross-examine you, but I want to get a comparison of views. I understood you to say that the chief benefit from this bill, or some similar bill, would be to draw money out of hiding. Of course I suppose you would be willing to add to that, as another benefit, the encouragement that there might be to thrift and to the habit of saving?

Mr. FORDNEY. Yes.

Mr. FASSETT. Now, Mr. Murdock spoke of there being two objects in the mind of a depositor, one of security and the other of interest. The appeal of interest does not reach the people who are keeping money in hiding?

Mr. FORDNEY. That is undoubtedly true; yes, sir.

Mr. FASSETT. The sole appeal to them, apart from the miser's pleasure in feeling the money, that Mr. Hamer thought belonged to the miser, is security?

Mr. FORDNEY. Yes; but of course, Mr. Fassett, the two inducements must be put together; but security principally.

Mr. FASSETT. The interest feature does not appeal so strongly to people who are now holding their money habitually in hiding?

Mr. FORDNEY. I don't think that there is as much in hiding as the people think there is. The point is that in time of financial flurry the money will go into hiding unless the security is the best.

Mr. FASSETT. Then, the interest does not appeal to the people who have money in hiding now, and if the Government opened up the post-offices as depositories that would be with the idea of making a secure place in which to put money, and to that extent would attract that kind of money?

Mr. FORDNEY. Any man who would deposit money in bank under any system that we could devise will deposit it in the postal savings bank if we establish this law and be satisfied with the security.

Mr. FASSETT. That leads me to another suggestion, which is that the rate of interest would then be only an additional inducement as applied to money not now in hiding and deposited somewhere else?

Mr. FORDNEY. Yes, sir.

Mr. FASSETT. And already in financial use?

Mr. FORDNEY. Yes; just as I made reference to the little French woman who had the money in the bank and it was drawing interest, undoubtedly. I don't know just how she had deposited it, but perhaps, as she came with a check, it was in the commercial department. But she was not satisfied with the security, although satisfied with the rate of interest, because when she put the money in the postal money order she got no interest. She was ready to sacrifice all interest for the sake of security.

Mr. FASSETT. Now, I would like to follow this up a little further. Interest plus security then will affect the location of money only by disturbing it from where it now is in use?

Mr. FORDNEY. That is it, exactly.

Mr. FASSETT. If one of the objects of this bill is to encourage thrift and saving by opening up new opportunities for the deposit of money, why should not the post-offices be opened in those communities which are not now blessed with sufficient banking facilities? I am coming to that, because I understood you the other day to intimate that by all means they should not be opened up in fourth-class post-offices, which, it seems to me, would be the very places, if we are to attach importance to the encouragement of thrift and attach importance to the drawing of money out of hiding, if it is in hiding, where they should be established.

Mr. FORDNEY. Now, I am very glad that you have asked that question, because that is one of the important features of the bill, in my opinion; and as an illustration I am going to call your attention to a situation existing in Mr. Hamer's State. A short time ago I was in the pine woods of Idaho. I stopped where a woman kept a country hotel; she was postmistress, her husband having recently died. It was in Collins, Idaho. Moscow was the railroad station for getting the mail and was 40 miles away. The mail was received twice a week by carrier and came by horseback or in a buggy. That was a fourth-class office. I don't know whether it was a money-order office or not, but to begin with, the woman had absolutely no banking ability, and that is a very serious question when you come to a bank bill. Secondly, she had absolutely no banking facilities; and, thirdly, the house could be ransacked by burglars and every dollar of the money taken away, or on account of that long distance from Collins to Moscow, nearly 40 miles, through a sparsely settled country and one-half

or more through forests, the mail carrier could be held up every day and the mail bag robbed of the money. Now, if you established at that fourth-class office——

Mr. HAMER. I might say that that could not happen in modern Idaho.

Mr. FORDNEY. Possibly not, but you go to Mississippi, and it is exactly the same way, and I am speaking now of my experience in traveling over the country—California, Oregon, Washington, and Idaho, and all the Southern States where there is any pine. I have been in every State in the South looking for pine timber, and the fourth-class offices are in the rural districts, where there are no banking facilities, and you would practically establish banks in those places, which, of course, would be giving the greatest opportunities in the world for yeggmen and tramps to rob the mails, and that would be an exceedingly serious condition. Now, on the other hand, you do not find the foreigners in those localities. The district that I have the honor to represent here has four counties of the most fertile land in the world, perhaps, or as good, a thickly populated farming country, with 200,000 people in the four counties. There are a great many fourth-class offices, but there are no foreigners in the territory where there are fourth-class offices, because those offices are located out in the farming communities, and the farmer generally does business in the county seat or town where he hauls his grain. He is not suffering for the need of banking facilities directly at his door, where there may be a fourth-class office with an incompetent woman or man as postmaster. If you eliminate from the bill the fourth-class office, you are in no way taking away the advantage of getting out the money from the hiding places, excepting from the miser, and he is not likely to deposit at all, because it is the foreign element who is afraid of his security, and it is in the manufacturing centers he resides, where there are plenty of banking facilities, and there are no fourth-class post-offices there at all.

Mr. STAFFORD. As I understand you, the county seats generally have a presidential office, where they would have the opportunity of depositing funds in postal savings banks?

Mr. FORDNEY. In every county where there are farmers who patronize the bank there is a county seat, or a town, where the farmers feel that they have the best market, and they go there and usually do their banking business there.

Mr. MURDOCK. Isn't it true that if there is any place in the United States where there is no particular need of the encouragement of thrift it is around the fourth-class post-office?

Mr. FORDNEY. Absolutely.

Mr. SMITH. Now, let me call your attention to the fourth-class offices in the West. They are all small stations along the railroads, or else in the communities off the railroads, and do you think that you are going to be able to satisfy those people that they are getting an even deal if you say that those people who live where there are banks may have the advantage of these postal-bank facilities, but that those who live remote from the banks, and have no secure place in which to put their money, shall be deprived of those banking facilities?

Mr. FORDNEY. I will take my chances on going among my constituents and showing those who live in the rural districts that to establish banks in their immediate vicinities in fourth-class post-offices would be absolutely suicide and bad business.

Mr. SMITH. They probably would not care if the post-office is robbed, because the savings would be secure——

Mr. FORDNEY. Oh, yes; every man has at heart an interest in the Federal Government to that extent.

Mr. SMITH. Oh, they would not care if the post-office should be robbed every night.

Mr. FORDNEY. When you get hold of a fellow of that kind, then I do not think you should consider him politically.

Mr. SMITH. We have always been in the habit of saying that one man is as good as another in connection with postal facilities; you can go out and find the humblest citizen in all the land, and you give him as good postal facilities as you give to anybody. I can call off many towns in my district, off the railroad, served by star routes, where there are communities of farmers and miners, and where men are paid off on Saturday night and where they have no secure place to put their money, there being no banking facilities in the town. Then you would say to them that they can not have this security; that the Government is not going to help them out.

Mr. FORDNEY. Well, I have been in your State and have spent a good deal of time in the woods in California—two years, all told, in my life; for instance, in Humboldt County, Mendocino County, and Del Norte County. Eureka, Cal., is a city of some 15,000 people and has splendid banking facilities. Arcata, Cal., is just across the bay and has good banking facilities. There are banks up in the country in the little towns, but when you get farther up on the streams you will find the little country hotel, and there are at the 40-mile houses, a fourth-class post-office, though in a good thrifty community, because all along the valleys there is the best fruit and agricultural land in the world, but would you think it wise to establish a postal savings bank at a 40-mile house on a road 40 miles from a bank?

Mr. SMITH. I have not said that it was wise to establish them anywhere in the country.

Mr. FORDNEY. I know that, but it would be a very serious mistake to do that.

Mr. SMITH. And of course I agree with you that to give protection to the money that might be deposited in the rural post-offices might cost the Government a great sum; but when you start out to serve the American people, you are going to have all kinds of trouble if you do not serve them all alike.

Mr. FORDNEY. And if the people of my district want me, by my action down here in voting for this bill, to establish banks in a rural district that would offer opportunity for the stealing of money, and I could not convince them that I had acted in their best interests, then I want them to send another fellow down here and I will stay at home.

Mr. SMITH. Let me put the question to you in this way, as they will put it to you and to me. They say, "You have given postal savings-bank facilities to those communities that have banking facilities, and you are denying those facilities to those communities that have not."

Mr. FORDNEY. Because they have no possible banking facilities, or no possible means of taking care of their money and securing it to the people.

Mr. SMITH. They will say to you: "Let the Government take care of the money, if they wish to handle our money."

Mr. FORDNEY. That could not be done with any reasonable cost to the Government. It is proposed in this bill to increase the salaries of fourth-class offices where deposits are made in that office. There is no one who can estimate the amount of increased cost to the Government in that matter. If you pay the banker a commission, if the Postmaster-General establishes such rules and regulations as will permit the postmaster to have a percentage on the money that is deposited with him, then he will make a system of canvassing the farmers in his district, his friends, to deposit their money with him, so that he can get a commission out of it.

Mr. SMITH. That is not proposed, is it?

Mr. FORDNEY. Yes; it is. It does not say that, but it is proposed to increase the salary, though you do not propose to increase the salaries of postmasters in first, second, and third class offices.

Mr. SMITH. You were speaking of facilities for securing the money in these remote places. What are you going to do in towns where there are banks, but where you keep these post-office banks open until 8 o'clock at night?

Mr. FORDNEY. The only money you would have on hand would be the money the postmaster took in after banking hours.

Mr. SMITH. Which would be the hour of deposit of the mechanics, and so forth?

Mr. FORDNEY. Well, the postmaster might, if he thought it dangerous to have money in his possession over night, say that it was not safe for him to keep his office open for deposit after banking hours, because he had no means of taking care of the money.

Mr. STAFFORD. That is only an incidental provision in the bill, and that could be eliminated if it was found to be objectionable.

Mr. LOWDEN. Now, with reference to the hiding. Do you think there should be a limit of the amount of money that any man could deposit, as provided for in the Senate bill?

Mr. FORDNEY. Well, I would not care very much about that. I rather think that if a limitation were in the bill it would be a good feature until we try it and see how it is going to work.

Mr. LOWDEN. Referring to your man who had $2,200. If this bill were a law he would only be able to put $500 in the postal savings bank, and the other $1,700 would not be withdrawn from hiding.

Mr. FORDNEY. No.

Mr. LOWDEN. And with reference to 1896, that has been mentioned before. Isn't it a fact that a lot of the money that was withdrawn from circulation was not the money held by the people who had one, two, three, or four hundred dollars, but was it not discovered after the election that many of the very rich men had taken $100,000, $200,000, $300,000 of gold, and put it into safe deposit vaults, and which would not be reached by any bill which we can pass?

Mr. FORDNEY. I don't doubt that that is true, but I did not know of any such case.

Mr. LOWDEN. I lived in Chicago at that time, and I think I can say that everybody came to the conclusion after the election was over

that the biggest hiding that had been done during that time was by the very rich people, and which would not be reached by this bill.

Mr. FORDNEY. That is possible.

Mr. FASSETT. It is only fair to add that it is generally understood that the banks themselves hoarded a rather considerable amount.

Mr. FORDNEY. I know this much, gentlemen, that the banks I knew of at the time never before or since had as much money on hand as at that time.

Mr. HAMER. Do you think that the timid people who in time of apparent panic want a safe place for their money could be reached by reducing the denomination of the government bonds to $25, $50, and $100, to enable them to make investments in government bonds?

Mr. FORDNEY. I have known many instances in my district where men came to me and wanted to know if I could get for them a $50 or a $100 government bond.

Mr. HAMER. Did it ever occur to you that that might be a plan which would, in a manner at least, answer the demand for postal savings banks?

Mr. FORDNEY. Oh, I think we have got to seriously accept this as we have it, and to amend it and make it as safe as you can; but to accept it. I don't think you can sidetrack it by any other proposition. I have seen nothing offered that would be as good as this.

Mr. MURDOCK. Mr. Hamer has asked you whether a provision for the fixing of the government bonds at a smaller denomination, say of $25, would not take the place of postal savings banks. What would you say to the proposition of making a feature of the postal savings banks the proposition that after a depositor in a savings bank had deposited as high as $25 he could convert that deposit into a government bond of $25?

Mr. FORDNEY. The trouble is that would be positively and surely the diverting of money from the rural districts. That would be the bad feature, as it appears to me.

Mr. DODDS. You say that depositors in these postal savings banks would be largely made up of parties who now have their money in hiding. Who would be the other depositors that would come?

Mr. FORDNEY. That was thoroughly discussed before you came in, I may say. It is the man who becomes alarmed in a financial flurry as to the security and pulls it out.

Mr. DODDS. You would have the postal savings bank not only for those who would not put their money in bank at all, but those who would put their money in bank and be thankful for them?

Mr. FORDNEY. It would do more to bring back into commercial channels the money of timid depositors than anything else we could do.

Mr. MURDOCK. Your position in part is this—that as a matter of fact during normal times there is very little money in hiding?

Mr. FORDNEY. Very little.

Mr. MURDOCK. And that the postal savings banks during normal times would not serve any very great purpose?

Mr. FORDNEY. I think not.

Mr. MURDOCK. But during times of panic there would be large sums of money in hiding, and that it would be of great service during that time?

Mr. FORDNEY. If you can put safeguards around it and keep the money in the local territory, yes; but otherwise it is a detriment. I want to see stricken from the bill the words "other securities." I would like to see that word "exigencies" stricken out. The word covers a multitude of sins.

Mr. HAMER. In the case of the lady in your community who went to the postmaster at a time when there was apparently danger of a panic and invested money which she had taken out of bank in postal notes, do you not think that if she had been familiar with the good features of a government bond that she would have invested her money in government bonds, had they been in denominations to please her, instead of taking the postal notes, especially in view of the fact that the government bond draws interest and the postal note does not?

Mr. FORDNEY. No; I don't think so, for this reason: In the first place, she became afraid of her security and ran for cover, ready to sacrifice the interest. Now, if this bill had become a law, and that office had been a depository, instead of sending the money away to New York, as immediately the post-office did do, the postmaster would have taken it back in fifteen minutes and put it in the bank from which it had been withdrawn.

Mr. HAMER. But in running to cover, she expected the Government to pay without interest.

Mr. FORDNEY. It would have been an inducement for her to deposit her money and take 2 per cent interest instead of taking the bond, because she could get her money at any time, while on the bond she would not have known so much about it.

Mr. HAMER. Couldn't she realize on the government bond?

Mr. FORDNEY. She could; but the average person is not familiar with those things.

Mr. HAMER. And that is just the idea. Isn't it true that the people of the United States know less about government bonds than any other security in the United States to-day?

Mr. FORDNEY. That may be true.

Mr. HAMER. But the point I am trying to get at is this, that if the ordinary citizens were familiar with the government bonds as security as they are with many other securities in the United States, don't you think that that would be a proper medium for the citizen's money in times of stress or panic?

Mr. FORDNEY. Well, in answer to that question, I will say: How are you going to establish a system that will permit Tom, Dick, and Harry in every little hamlet or town in this country to be afforded the opportunity to invest his money at his will in a government bond? It is only occasionally that there is a government issue of bonds, and in order to carry that out and to afford the people the opportunity to purchase government bonds that they want, say $25 bonds, the Government would have to have on sale at all times, in every hamlet in the country, all kinds and denominations of bonds.

Mr. HAMER. Isn't it true that the government bonds are on the market every day in the year?

Mr. FORDNEY. Yes; but they are not available for the average farmer.

Mr. HAMER. Has there ever been a time when I could not go to my banker and tell him to buy me a government bond?

Mr. FORDNEY. Probably not; but, Mr. Hamer, you are perhaps one out of a thousand who knows how to do that, and I feel that I am too old to undertake to educate people along those lines.

Mr. HAMER. But educate them on the basis that the people might become more familiar with this security.

Mr. FORDNEY. Suppose you send out to-day $100,000,000 of United States Government bonds in denominations of $10 or $25. They get into hands that do not want to dispose of them at a time that you might want them, unless you put them on sale in every depository in the country. I did want to get some government bonds last year in order to deposit them with the insurance commissioners of our State, but we did not take government bonds because the rate of interest was not satisfactory.

Mr. HAMER. But the rate of interest would not necessarily cut any figure with the person who is trying to run to cover, because it is security and not interest that is wanted.

Mr. FORDNEY. Oh, yes, it would, because he knows exactly what rate of interest he would get in the postal savings bank, but not in the case of the bonds.

Mr. HAMER. When he deposits his money in a post-office, and accepts as his security a postal note, he gets no interest, and he knows he will get no interest.

Mr. FORDNEY. That is temporary only.

Mr. HAMER. And the other investment might be temporary.

Mr. FORDNEY. I can hardly agree with you that that could be worked out.

Mr. HAMER. I did not and do not contend that it is feasible, but I simply wanted your views.

Mr. FORDNEY. I don't think you could work out a practical plan there.

Mr. GARDNER. Reverting to your illustration a moment ago concerning your German employee, which illustrates, it seems to me, a phase of human nature worth considering in this connection: Isn't it a demonstration that at every time there is political agitation about the changing of our money, or when the conditions are such that there is liable to be an issue of greenbacks such as was done during the civil war, that we will have a run on the postal savings banks?

Mr. FORDNEY. There have only been two such periods in my lifetime, one the panic of 1873 and the other that of 1893.

Mr. GARDNER. Wouldn't two such periods in the lifetime of a man as young as you are be quite enough to illustrate the danger?

Mr. FORDNEY. I have had enough of it and do not want any more.

Mr. GARDNER. You have no guarantee against like political agitations in the future?

Mr. FORDNEY. Oh, no.

Mr. GARDNER. Sometimes there are great fallacies about money. Has any consideration been given, so far as you know, to the making of this contract between the post-office and the depositors redeemable in gold?

Mr. FORDNEY. No; I have not heard of anything of that kind. Yet, Mr. Gardner, he is not supposed to deposit anything else but gold or silver or paper money, and if I understand existing law, they are all redeemable in gold on demand, or at request.

Mr. GARDNER. By the present statute, yes. But my point is, and what I am asking you is, if the stability of those deposits, this idea of safety about it, is not entirely dependent upon the absence of political agitation for a change of the money standard; and will not every such agitation almost of necessity create a run on our postal savings banks?

Mr. FORDNEY. Mr. Gardner, I have been in business since I was a boy. I went through the panic from 1893 to 1895. I was then actively engaged in business. The panic of 1907 did not affect me at all. I was not borrowing money just at that time, and I did not feel the effects of it. But from 1893 to 1897 every business man knows how hard it was to obtain money and do business. Values had depreciated, and there was no knowing when the end was going to come upon the money stringency or the demand for goods begin. Immediately upon the demand for goods coming, the money began to be easier, which is always the case; and in all such times as that is there a likelihood that any money that would be put into the bank by the average depositor will run for hiding.

Mr. GARDNER. But isn't it true, as human nature is itself, that if you have in this bill a provision that these deposits shall be paid in gold, upon every occasion that any doubt arises in the public mind from any case whatever of the banks being able to maintain the gold standard, the money will rush to the postal savings banks, and certainly every time there is political agitation in favor of a change of standard that money will flow from the postal savings banks.

Mr. FORDNEY. Mr. Gardner, I should think it would be an unwise provision to put into this law that those deposits shall be paid on demand in gold, because the man does not deposit in gold, and if he should be alarmed about silver or paper money he could deposit his money this morning in the postal savings bank under such a law and in the afternoon demand gold for it. That would be disastrous.

Mr. MURDOCK. That is based upon this entirely: That if everybody in the United States should try to redeem the money in the United States in gold to-day that we could not redeem that money.

Mr. FORDNEY. No.

Mr. WEEKS. Now, to get to the fundamentals. Are you in favor of the Government going into business, as a general proposition?

Mr. FORDNEY. No, sir; I am not.

The CHAIRMAN. Then you would make an exception in this case, would you?

Mr. FORDNEY. Yes; I would. There are reasons for it, which I have stated.

The CHAIRMAN. And you think your reasons are sufficient to overcome your indisposition to have the Government go into business in general matters?

Mr. FORDNEY. Yes; I really think so.

The CHAIRMAN. Now, are you in favor of the Government's guaranteeing bank deposits?

Mr. FORDNEY. No; I am not, under any circumstances.

The CHAIRMAN. You are in favor of the Government depositing in both national and state banks?

Mr. FORDNEY. Well, I think so. I think the examinations by the bank examiners under state laws, especially in our State, where I am

more familiar with them, is quite equal to the inspection of the Government officials.

The CHAIRMAN. You know there is great variance in state laws as to the inspection of state banks, and all that sort of thing?

Mr. FORDNEY. I imagine there is, but I am not entirely familiar with that.

The CHAIRMAN. There is. Now, are you in favor of the Government's depositing any money in any bank over which the Government has no control, without being absolutely secured?

Mr. FORDNEY. Oh, I think the security ought to be very satisfactory, but as to whether it should be 100 per cent or not, I would rather you would work that out than to put the responsibility upon me. I hardly think it is necessary to put up 100 per cent security, especially when the Government is a preferred creditor.

The CHAIRMAN. If I understood your testimony correctly, you would prefer the security of bonds rather than the security of a bonding company?

Mr. FORDNEY. I think you would make it easier for the banks and have just as adequate security to the Government if, instead of accepting a surety bond upon which they would have to pay about 2 per cent and get no returns from it, the Government would accept municipal bonds upon which, of course, the bank would get from 4 to 5 per cent——

The CHAIRMAN. Would it not be an incongruous procedure to have a private company guaranteeing the Government against loss in cases where the Government had deposited with its own agents?

Mr. FORDNEY. Yes, I think that would be the tail wagging the dog.

The CHAIRMAN. Now, we have got to look to the future if we are going to authorize postal savings banks. Let us suppose that we get $100,000,000 in these banks, as we will. Suppose somebody comes to Congress with the proposition that the rate of interest be raised on deposits from 2 to 2½ or 3 per cent. Do you think there would be any stopping it?

Mr. FORDNEY. Oh, I think so. And yet all sorts of such schemes would be presented.

The CHAIRMAN. When we have $100,000,000, there is going to be a million depositors or something near that. Do you think with a million people asking Congress for something that it would be possible to refuse it?

Mr. FORDNEY. Yes; I do. I think every fair-minded man ought to take this into consideration, that the rate of interest that the Government shall pay must be less than that which he receives from the banks.

The CHAIRMAN. Is the individual fair-minded when his own financial interests are at stake?

Mr. FORDNEY. Sometimes, I think; yes.

The CHAIRMAN. Now, I want to ask you another question, Mr. Fordney. Suppose we have $100,000,000 in the postal savings bank; that these deposits are placed at 2 per cent interest, or 2½ per cent, whatever it is, and somebody comes in here with a proposition to drain swamp lands, which you and I do not feel, we will say, is a proper government function. The proposer of that legislation is told that there is no available money. Then he makes this point, that

the people have $100,000,000 lying in the banks doing nobody any good, excepting the bankers. What do you think Congress would do in that case? Don't you believe that Congress would say, "Take the people's money and spend it for the benefit of the people?"

Mr. FORDNEY. I don't think so. That covers a wide latitude and it is a matter worthy of very serious consideration. The weak-kneed politicians in Congress here would be converted by an argument of that kind, but——

The CHAIRMAN. Are not all men in Congress politicians, and are not all men more or less weak-kneed?

Mr. FORDNEY. No, I think not. I don't want to be so considered. I don't believe that any theory of that kind would stir me, and if every single constituent of mine should come to me and ask for it, I would go back with the argument that the very minute you do that you destroy the effect of the law, and that the intention of the law was to, under no circumstances, permit that money to go out of the rural districts where it is deposited excepting in times of great stress—of war, and in time of war only. And that ought to be written in the bill as big as a full moon.

The CHAIRMAN. I will give you credit for having as stiff a backbone as any man in Congress. I think you have demonstrated it. But your argument before this committee is really——

Mr. FORDNEY. Oh, no; and I see your point before you make it. The point is here, that the bill is not dangerous if you confine it to investments in government bonds in time of war only. You are going to create a great benefit in the way of adding security to the depositor of money out of hidden places, and putting it back into commercial circles in times of financial stress.

The CHAIRMAN. What I wanted to say to you is that depositing in local banks does not necessarily keep the money in local banks. You, as a banking man, ought to know that, and to know that money goes to the centers, or goes wherever it can be used to the best advantage. I think if we leave this money lying around in the banks sooner or later it is going to be appropriated for purposes which Congress would not make appropriations for if we didn't have this money available; and therefore I want to bring out the desirability of having it placed permanently where it can not be used for any purpose.

Mr. FORDNEY. Mr. Weeks, I don't know how I can better express myself to make it understood by the gentlemen present that I am unalterably opposed to an establishment of this law, no matter what the political or other effect may be, if there is the slightest opportunity left in the law to take the money away from the local territory. And I believe that the only way you can do that is to say that the money shall not be invested under any circumstances in any securities of this Government except in government bonds, and in those only in times of great stress—during a time of war.

The CHAIRMAN. I think I can say that there are no Populists present, but suppose the next Congress is a Populist Congress. What is going to prevent their changing the law?

Mr. FORDNEY. Well, we would go to the devil in a hand basket then sure if the complexion of Congress is so changed as to bring here a class of men that would do a thing of that kind. But their political life certainly would be very short, and back into the ranks

the regulars would come again in a short time, and we would reestablish a better law.

Mr. SMITH. On this question of the use of the money I received in my mail this morning a petition signed by some gentlemen in California, and I have had a number of letters of this import this winter since this subject has come up. Here is one of the things that they want me to do [reads]:

> We desire postal savings banks in which the deposits are retained by the Government, or loaned to individuals at moderate rates of interest.

What do you think of that?

Mr. FORDNEY. I have said all the time that I am opposed to the Government going into the banking business.

Mr. SMITH. But how long could we stand the pressure if that principle is pressed?

Mr. FORDNEY. Just until you could get an expression from the Supreme Court to tell you that you did not know what you were doing.

Mr. SMITH. Well, we do know that Congress can loan the money to men as well as to banks, don't we?

Mr. FORDNEY. Well, we do know that the Supreme Court decisions up to the present time are to the effect that the Federal Government has no right to enter into the banking business for anything excepting as a part of the machinery of the Government.

Mr. SMITH. But we would be doing that identical thing. We are going to take that money at 2 per cent and loan it to the banks at 2¼ per cent. Why can not you loan it to John Smith at 2¼ per cent?

Mr. FORDNEY. Oh, we are not populistic enough for that.

The CHAIRMAN. You will remember that we had before us last week a gentleman representing the Farmers' Union, who claimed that he represented 1,000,000 people, and who stated that the main purpose of the establishment of postal savings banks in the minds of those whom he represented was that the money should go into the banks, and then that the bank should be compelled to loan it at minimum rates to farmers and others who needed it in the communities where they were located.

Mr. FORDNEY. I do not believe that such a law as that would be held to be constitutional.

Now, I received a letter the other day from a judge in my district, urging me to vote for this postal savings-bank bill so much desired by the President. He said that the people of the country are becoming very uneasy, and he urged me to hurry up and get it through. I wrote him a letter of 4 pages of closely typewritten matter, expressing my opinion, and I have on my desk now a reply from him saying: "I did not know anything about it, and I am going to leave it to your judgment."

The CHAIRMAN. Ordinarily, when you are starting a new enterprise, as a business man, you start it on a limited scale, and determine from the results of that trial what you are going to do in the future. What would you say as to limiting the establishment of these banks to first-class post-offices which are equipped to do this kind of business, and see what the results are?

Mr. FORDNEY. It would please me very much if you would do that; very much. The least we can have of it, the better it would suit me. [Laughter.]

Mr. GARDNER. Now, as to the stability of this statute. Say, in five years hence the Farmers' Union numbers 5,000,000 of voters, and there are $300,000,000 in the postal savings banks. Congress is Republican, if you please——

Mr. FORDNEY. I am always pleased to hear that.

Mr. GARDNER (continuing). And we are approaching a presidential election. The National Good Roads Convention is in session in Washington, and every section of the country is represented here, with the Farmers' Union pressing Congress with all its energies to pass a national good-roads bill, and the plea for it being based upon the fact that we have $300,000,000 of the people's money lying in the banks that should be used for a beneficial purpose. Now, we are not Populists at that time, we are a Republican Congress. Are we going to stand or yield?

Mr. FORDNEY. I would stand without hitching. I don't know about other people.

Mr. COX. Suppose that was one of the planks in the platform?

Mr. FORDNEY. I should be against this measure unless you put safeguards about it to satisfy me that the people of the country are not going into an unsafe——

Mr. COX. Then, as the bill now stands you are unalterably opposed to it?

Mr. FORDNEY. No; that is not the case.

Mr. STAFFORD. You are in favor of the principle?

Mr. FORDNEY. I am opposed to some of the features of the bill, and I may be able to stretch my conscience to vote for that bill if you don't change it. But I have not up to this time, nor recently, been in a mood to vote for it, though I may be convinced by the arguments of other men whom I want to give the credit of being as wise or wiser than I am that I may be mistaken about those things. But I do not like it as it is, and I hardly believe I can vote for it as it is. But if you place the limitations about it that I have suggested, or in conformity with some of my principal suggestions, I will vote for it, but I would rather not without them.

Mr. COX. But the bill, as it now confronts you, Mr. Fordney, giving the President the power, under any exigencies which he may deem to be the occasion, to withdraw money from the deposits in our big western country out there—can you approve the bill in that shape?

Mr. FORDNEY. Not excepting in time of war, when I feel that he must have that power in order to save the credit of the Government.

Mr. COX. As a practical man, a business man, isn't it your judgment that the guarantee feature of the present bill is the feature which will appeal to the people the strongest and induce them to make deposits in the postal savings banks?

Mr. FORDNEY. I think it is.

Mr. COX. Are you in favor of that guarantee feature in this bill?

Mr. FORDNEY. Well, I am in favor of having that guarantee feature to it if you have it at all.

Mr. COX. And yet there is no question but what, as a guarantee of deposits, the guarantee proposition under the present bill is the best guarantee that can possibly be gotten up, is it not?

Mr. FORDNEY. That is all owing to what sort of securities you accept.

Mr. Cox. As the bill now stands, not only the physical property of the United States but the integrity of the Government itself is behind every man's deposit that will be put into the postal savings bank.

Mr. FORDNEY. Why, if you accept securities from a federal bank for deposits of money received in the post-offices, and take a security bond from a security company——

Mr. Cox. Would you believe for one moment that even if the security which may be given by the bank to the Government to secure the deposit should fail the Government would let the depositor lose his deposit?

Mr. FORDNEY. No; I don't think it would.

Mr. Cox. Then your idea would be that the Government would pay dollar for dollar to its depositors, no matter what the effect of the security may be?

Mr. FORDNEY. Oh, yes.

Mr. Cox. So, after all, the guaranty feature contained in this bill is the best guaranty that any depositor can have?

Mr. FORDNEY. As a general proposition, the guaranty is a good feature.

Mr. Cox. And you are in favor of that?

Mr. FORDNEY. Oh, yes.

Mr. Cox. Why do you then oppose the general policy of guaranteeing bank deposits?

Mr. FORDNEY. Oh, you open up the road to all sorts of wildcat banking then, if you guarantee all deposits in all banks, State or national. I can not see enough advantage in it to consider it, or to go into it and work out the merits or the demerits. It seems to me that it is absolutely an insane proposition.

Mr. Cox. But the merit of the present proposition is the merit of the Government behind it.

Mr. FORDNEY. That is the principal advantage, yes.

Mr. MURDOCK. You do not pretend to say for a moment that you would prohibit the President of the United States from drawing upon these funds if he saw the necessity of protecting the credit of the Government?

Mr. FORDNEY. Absolutely nothing but war, because he can create an exigency if he wants to do it, and there is one right now, when $30,000,000 is asked for irrigation projects out West. I do not want to see a penny of this money invested in projects to carry on irrigation, as much as I want to see that project carried to completion.

Mr. MURDOCK. Then you would regard nothing as an exigency excepting war?

Mr. FORDNEY. Absolutely nothing. I am 56 years old, and I have never seen the time when I thought it was necessary for the Government to declare an exigency that would warrant the withdrawal of money from the banks excepting in time of war.

Mr. Cox. Isn't it your judgment that the postal savings bank is a forerunner of a central bank?

Mr. FORDNEY. Just what you mean by the words "central bank" I don't know. I have not given this other matter up for consideration by the Monetary Commission sufficient thought to speak about it intelligently. I am at a loss to know what sort of a proposition is going to be presented when it is presented. I have not considered it enough to know very much about it, and whether a central bank is advisable or not.

Mr. Cox. Of course you understand, Mr. Fordney, that there is not any politics in this so far as I am concerned.

Mr. FORDNEY. None whatever, my friend.

Mr. Cox. Do you believe, Mr. Fordney, as a Representative, and as a conscientious Representative, which I know you are——

Mr. FORDNEY. Thank you, sir.

Mr. Cox (continuing). That any man's political affiliations should carry him to the extent of carrying out his party's platform pledges if he conscientiously believes that the ultimate carrying out of the pledges would bring ruin to the country?

Mr. FORDNEY. Absolutely no. There is no more staunch Republican than I am, but, gentlemen, if the Democratic party stands for provisions in this bill that in my opinion would be far superior to the bill offered by the Republican party, then I want to cast my vote for the interests of the masses of the people, whether it is Democratic or Republican or Populist, or whatever it is, and that is what every conscientious man should do.

Mr. FINLEY. Of course you have read the Senate bill, and the provision about the time of exigency or war, giving the President the right to convert funds in the postal savings bank into United States bonds, and so on. Do you think that very many people who will deposit in these postal savings banks will take into consideration that that provision in the bill would give the Government the power to make a forced loan from that by taking those funds and applying them in that way?

Mr. FORDNEY. Yes; I say this, that with the language in the bill now as the word "exigency"—I don't know what that might be construed to mean.

Mr. FINLEY. Does that not practically give the Government the power to make a forced loan?

Mr. FORDNEY. Yes, I should say so. It seems to me that it would. I do not want any doubt left in the bill.

Mr. FINLEY. Do you think that is a proper provision in the bill?

Mr. FORDNEY. I do not believe that there should be any language in that bill that is not explicit. It ought to be to the point, and positive. And that the bill should be so framed that it could not be construed to mean anything else, because, without any reflection upon any man in public life, you do know, and I do know, that public moneys have been diverted contrary to law.

Mr. FINLEY. Even in time of war, during which time you say that you might or would be in favor of the issuing of bonds and to apply the funds of the postal savings bank for this purpose. Wouldn't that in a measure be a forced loan?

Mr. FORDNEY. Well, yes, but I believe you will agree with me that when a people are united in a war, and ready to go to the extreme, they are willing to do anything to relieve a situation and give advantage to themselves.

Mr. FINLEY. Now, the depositors in the postal savings banks would necessarily be those who will place their small amounts there, and they will as a rule be comparatively poor people and timid people, who have small savings that they wish to secure. Now, is that

the class of people, if there should be a forced loan, that should be called up to the captain's desk?

Mr. FORDNEY. But I do not understand that if you are presumed in times of war to invest it in government bonds that it would deprive any depositor from demanding his money and from getting it. If the Government should do that and leave themselves short of money, then the only thing necessary to do would be to send bonds abroad and get the money.

Mr. FINLEY. Now, you say that you don't understand that the provisions of the Senate bill give the President the right to convert the postal savings-bank funds into government bonds. In the event that he should convert all the deposits, where would there be any funds in the postal savings bank with which to repay the depositors?

Mr. FORDNEY. Suppose that you put yourself in the position of the Executive in such a case.

Mr. FINLEY. That is a great question, isn't it?

Mr. FORDNEY. I am trying to get to that. Suppose I was in that position. The first thing that would come to me would be the question of authorizing the issue of bonds that will divert this money to some purpose, and at the same time——

Mr. FINLEY. And you do divert all of it.

Mr. FORDNEY. Yes; but at the same time to see my way clear to finding money to pay those people if they demand their deposits.

Mr. FINLEY. Then would Congress not be under the necessity of providing for the depositors in postal savings banks by paying them out of the common fund in the Treasury?

Mr. FORDNEY. Yes; but the natural consequence would be—suppose that I was the President of the United States, and under the authority of this law I thought it wise to withdraw that money and invest it in government bonds to be used in time of war. I must first figure how I am going to pay those depositors if they call upon me for that money. And if I do not see the funds available then I have this to resort to, to ask Congress to permit me to issue bonds to sell to the public and get money to pay those depositors. But the plan of keeping the money at home and investing it in government bonds is much better than sending it abroad, because then your interest remains at home. All those things would have to be worked out by business minds, and it would take some time.

Mr. DODDS. You said that the money would not go to financial centers. Would it not go to financial centers simply for deposit and to be called for there upon call, and would there not be funds in the local bank practically all the time, and whenever the local bank wanted to use them?

Mr. FORDNEY. It would only be driven there in order to derive interest upon it.

Mr. DODDS. So they would have money in the local banks all the time, would they not?

Mr. FORDNEY. To be sure, unless they say, as they did two years ago: "We will give you a certificate for it."

Gentlemen, I am very grateful that you were willing to hear me so long and regret that you received so little information. I thank you very much.

STATEMENT OF MR. LUCIUS TETER.

Mr. TETER. With your permission, I would like to yield for just a moment for Mr. Johnston to make an explanation in reference to the action taken by the last convention of the American Bankers' Association with reference to the segregation of deposits. As I stated to the committee yesterday, I did not know what happened, and was unable to tell exactly what did happen. It left on the record, really, a misstatement of the situation, and with your approval I will let Mr. Johnston, who was present and took part in the discussion, make a statement about it.

STATEMENT OF MR. ALLEN W. JOHNSTON, OF SCHENECTADY, N. Y.

Mr. JOHNSTON. At the convention, Mr. Chairman, in Chicago, toward the close of the session, the matter of segregating and safeguarding savings deposits in national banks was brought up. There was some little debate upon the question of safeguarding and segregating generally, which arose from that motion made by Mr. Arthur Reynolds. I took part in that discussion, and therefore I am familiar with what took place. Upon a motion of Mr. Campbell, I believe, of Indiana, the matter was referred to the currency committee of the American Bankers' Association, and so it stands to-day. There was no vote taken, except in referring the matter to the committee.

I had made some little comments on the bill as a constitutional act, and I wish to be understood that I am not appearing as an authority on the Constitution of the United States, but I do wish to call attention, as I am sure this committee would like to have me do, to the fact that this bill originated in the Senate, and if it did, as I understand, originate in the Senate, and is, as it proclaims to be, an act for revenue, it should have originated in the House of Representatives instead of the Senate.

There is also another feature that I would like to call your attention to, of the Constitution, and that is section 10 of article 1, which states that no State shall pass any law impairing the obligation of contracts. As I understand, by the provisions of this bill, no reclaim can be had for money fraudulently obtained, or any breach of a contract, which is placed in the postal savings bank. This is supported by article 7 of the amendments, also article 9 of the amendments, and article 10 of the amendments which says that the Constitution reserves the rights of States as to their courts of law and to the people their rights in equity to recover money by due process of law. I have not given the exact words, but I have taken it out in substance. I simply want to call the attention of the committee to it, without any comments whatever upon the effects of it, because I am sure it is in good hands when placed before this committee. That is all I have to say.

Mr. TETER. Mr. Chairman, we have, I think, at no time asked more than that this question should be submitted to the most profound investigation. We do not want to leave Washington having left behind us the impression that we are obstructionists. We would like very much to be counted among those who are reformers, who

believe that through evolutionary processes all form of human progress is made.

We have shown that at the beginning the first popular sentiment in connection with this matter—I am speaking now of the last movement in favor of postal savings—was brought about through the general distribution of literature calculated to lead the people of this country to believe that there were only 1,415 savings banks in the country. We have shown, and it is now in the Monetary Commission's report, that there are at least 18,245 banks, taking savings deposits as such, and many others issuing certificates of deposit for savings. We have shown the rapidity with which new banks are being organized in the West and in the South. We have shown that there are more banks in the State of Iowa than in all the New England States. The Monetary Commission's report shows that there are more banks in the State of Kansas than in the State of New York. We have shown—and this is not denied by some of the friends of the bill whom we have had the honor of hearing since we have been here—that there is a very definite need for the people's money in a very large part of the territory of the United States, and that any plan that would take from those communities the money that is gradually centering there would be injurious to the people. We have shown that many States have ideal banking laws, and that 33 States in ten years have shown a disposition to advance rapidly along the line of better laws and better regulation. There remains for us only to comment very briefly concerning two or three of the smaller matters in connection with this legislation, and we speak of it quite as much because we are experienced in the matter of handling banking matters for the benefit of the committee as for special argument for ourselves.

The first one of these is in reference to the enormous auditing and equipping proposition that the Government is taking on itself in connection with this problem. The theory on which I make that statement is this: That if there is now a promise in what the banking system has done up to date, that the present system and its development will take care of the need, it would be unwise for the Government to enter into an enormous task to take care of a temporary need. If the postal savings bank is to reach districts where there are not now banks, our experience shows us that those post-offices would have to be equipped and safeguarded as banks are now equipped and safeguarded. I know no bank in the United States that has not a very complete equipment of safes and other devices for protection, and yet, unfortunately, it is true that in practically every State in this country there are a number of banks robbed by high explosives every year.

Mr. FINLEY. Just there, if it will not interrupt you, have you any data showing the number of banks, we will say, in the United States, Germany, France, and England, of course eliminating the postal savings banks in those countries, in proportion to the population?

Mr. TETER. I have not it here, no.

Mr. FINLEY. Could you furnish the committee with that?

Mr. TETER. I am very sure that we can, yes. I think it is in the Monetary Commission's report.

Mr. FINLEY. There is another matter I want to call attention to, which you need not answer unless you care to. Section 7, page 5, of the Senate bill provides—

> that any depositor may withdraw the whole or any part of the funds deposited to his or her credit, with the accrued interest, upon demand, and under such regulations as the board of trustees may prescribe.

I read that in connection with the provision in section 8, page 7, of the Senate bill, which is:

> *Provided*, That if in the judgment of the President, war or any other exigency involving the credit of the Government so requires, the board of trustees may withdraw all or any part of said fund from the banks and invest the same in bonds or other securities of the United States.

What I wish to call your attention to is to what extent, if any, would that place it in the power of the Government to enforce or bring about a forced loan from the depositors of the postal savings banks? I do not know whether I made myself clear to the gentleman or not.

Mr. TETER. There is no doubt in my judgment that those who deposit in the postal savings banks will do it largely voluntarily, and so far as the loaning to the Government is concerned, the act of depositing the money will constitute a loan.

Mr. FINLEY. I understand that, but in your judgment will not the majority of people who deposit in the postal savings bank do so under the impression and conviction that they can withdraw their deposits, principal and interest, on demand?

Mr. TETER. I should say that they would have every right to think so, from the reading of the bill that is under consideration.

Mr. FINLEY. Section 7; now when you read this proviso in section 8, does not that place it in the power to bring about a forced loan from the depositors in the postal savings bank; that is, investing the funds in bonds or other securities of the United States?

Mr. TETER. I should say it leaves it in the power of the Executive to force the money out of the banks where it had been deposited and put it into safe securities; but when it gets to that point, I would say it is a question between the banks and the Government.

Mr. FINLEY. But what about the depositors; where would their money come from in the event they made a demand for the principal and accrued interest?

Mr. TETER. I believe that is one of the very numerous things in the bill that are left to be worked out by these trustees. A further condition in the present bill is that no bank that has these deposits is allowed to make any charge and presumably any delay in cashing orders.

Mr. FINLEY. If the gentleman will excuse me, that is not a question between the banks and the depositors in the postal savings bank at all. It is a question between the depositors in the postal savings bank and the Government that I allude to—whether the Government should in the administration of the law, if an exigency should arise, invest all of their deposits in the postal savings banks in the United States, in bonds or other securities of the United States; then from what source would such depositors, any or all of them who made a demand for their money, receive it?

Mr. TETER. I was coming to that; I understood the point The banks that are local depositories would have to cash the orders, and

they would come from money that was deposited by other depositors, because, of course, all the savings deposits had been withdrawn for the purchase of government bonds.

Mr. FINLEY. I do not think the gentleman caught my question. I said suppose the exigency should arise and the Government should invest all of the money.

Mr. TETER. I understood the question.

The CHAIRMAN. What Mr. Finley is getting at is: Suppose there is such an exigency that the President decides to invest all of the money deposited in banks by the postal savings bank, then if somebody wants to draw money, where are they going to get it? The banks do not then owe money to the postal savings bank.

Mr. TETER. But they are going to be dependent on the banks to cash the orders.

The CHAIRMAN. What obligation is there on the part of the bank to cash the order if the bank has not any deposit?

Mr. FINLEY. The money is invested in bonds or other securities of the United States.

Mr. TETER. I think I fully understand that question, and I am coupling your question with what is now the practice. The banks in the rural districts are not furnished with money now by the Government to cash pension checks and other checks; nor are the banks now furnished with currency to cash postal money orders; but many of my correspondents in the smaller banks in our community very frequently cash postal money orders for the local post-office. It has not the money to do it. Now, if a depositor in a small community receives an order——

Mr. FINLEY. Any community?

Mr. TETER. Yes—receives an order on the Government for his money, he is going to go to the nearest place he can to get the money, just as a pensioner does now with his pension voucher.

Mr. GARDNER. That is all right for small amounts, but this contemplates an exigency, $100,000,000 or $500,000,000 are withdrawn; the business is closed, so to speak. It differs entirely from a pension voucher or a money order, which is a current daily business. After the Government had drawn all this money and closed the account, another situation would exist.

Mr. TETER. Yes, Mr. Chairman; but I do not for a moment think that at the same time the Government drew all its money out of the local banks the savings depositors would all draw their money, too. I am answering the question as to who would furnish the money for the repayment of the local depositors.

Mr. GARDNER. That is what Mr. Finley was asking you.

Mr. TETER. Yes; and that is the question I am answering.

Mr. FINLEY. Is there a provision in this bill that provides that a deposit may be paid out of the general fund into the Treasury of the United States?

Mr. TETER. I do not see any.

Mr. FINLEY. Does the gentleman think, or not, that if an exigency should arise—I am only seeking information myself—and the Executive should withdraw the deposits from all the banks where postal savings deposits had been made, and invest in bonds or other securities of the United States, does he not think that that very act on the part of the Executive in the administration of the law would alarm

hundred and thousands of depositors in the postal savings banks and make them want their money? In other words, is it not true that as long as a man can get his money he does not want it out of a bank, but whenever it comes to the point he can not get it, then he wants to get it; is not that true?

Mr. TETER. Yes; that is true.

Mr. FINLEY. Now, I ask you what would be the effect or the result in a contingency like that? I am not a banker at all; I am simply asking you; you are one.

Mr. TETER. The situation would certainly have to be met by the issuance and sale of additional bonds so that the Government would have money to pay——

Mr. FINLEY. Is not this true, then: The Government would have to provide for paying those deposits out of the general funds of the Government; is that not true?

Mr. TETER. It certainly is true.

Mr. GARDNER. Take a pension case like the one you have alluded to. Say a pension bill carries $165,000,000, and by inadvertence or otherwise the pension appropriation was made by this Congress $65,000,000. The banks knew that there would be a deficit of $100,000,000 when the first three months expired. It would be a known fact that there would be a deficit in the next payment, that all of the checks of the last two payments would be backed by a deficit only. Those checks could not be paid until Congress met and made an appropriation to cover that deficit, so that the minimum time that the banks would have to carry the checks would be six months. Do you think the banks, as a matter of fact, under those circumstances, would undertake to take up that $100,000,000 of checks and carry them without interest? There would be enough to pay all the checks issued the 1st of October; there would be only enough to pay a part of the checks issued on the 1st of January. Congress would not meet until eleven months after that, so that there would be no probability that those checks would be paid inside the current year. They are not interest-bearing securities. Would the banks, under those circumstances, cash $100,000,000 of those checks and carry them for twelve months without interest?

Mr. TETER. No, sir; they would have no right to.

Mr. GARDNER. Then the fact that you cash pension checks and postal orders is because they are in current business, backed by an appropriation?

Mr. TETER. Certainly.

Mr. GARDNER. It would not be the case that Mr. Finley suggests in his question?

Mr. TETER. I was speaking of the accounting and equipment of this matter, and I will make it as brief as I can. I simply want to call your attention to this: In addition to the various safeguards that all banks, and particularly the banks in remote communities, put about the cash that they carry on hand, I know of none that do not, in addition to that, carry burglary insurance, because up to date no safe has been invented that could not be burglarized, and I recall, also, that those companies that are engaged in the transmission of currency throughout the country handle it always in very strong safes under very heavy guards, and even then very daring men occasionally hold up trains, as they did only a few days ago just outside of St. Louis, running the risk

of their lives and offering their lives, even, for an opportunity to break into an express-car safe.

I can not but recall the postal carriers that I saw on the farm in my boyhood days when the mail was carried from these post-offices, that are by this bill to be made banks, through many miles of more or less unsettled country on the back of a horse in a leather bag attended by one man. I am just as loyal to the average American as anyone here; but in the light of all we know about burglarizing I can not refrain from calling the attention of this committee to that very serious angle of this question. We have not here a consolidated country, which is practically all policed and thickly settled, but we are perhaps here to put banks away into the frontier, where, as I heard some one suggest this morning, in a great many cases women are in charge of the post-office, and the very equipment of 50,000 post-offices as banks would not cost less than $1,500 each, and that is a very low estimate. And, then, to add to that the safeguards that must be put around the carrying of the mails if this is undertaken, goes into a great deal more consideration.

Mr. GARDNER. If you have thought on that, would you speak at a little length right there, on the probable methods of the carriage of the money from the fourth-class post-office to the bank. Let us take a concrete case. There is a post-office at Indian Mills, N. J., surrounded by a prosperous population. There is no bank nearer than Medford, 9 miles away, or, in the other direction, Hamilton, 12 miles away. The road to Medford, for 4 miles of the distance at least, is a lonesome, wooded road. The road in the other direction is, for 6 miles or more, a lonesome, wooded road, on which homicide has been committed. The money from Indian Mills post-office would have to be delivered by somebody. By what method is it suggested to your mind that money would be conveyed from the post-office to the banking town, and at what expense?

Mr. TETER. Mr. Chairman, I have assumed, of course, that this service would be added to the present postal service as economically as possible. One would think so, from the amount of the appropriation suggested in the bill, and I am simply calling attention to this particular hazard that is being laid on. If you are asking me the question as to what I think should be done to safeguard this, I would say at once that I think the postal department should do just as the banks do, put in a complete equipment for the purpose, carrying burglary insurance or a sinking-fund provision for that purpose, in the Treasury Department, and that these moneys should be sent under guard.

Mr. GARDNER. Take the case that I have cited; what cost would you estimate as proper for the safe conveyance of the moneys from that fourth-class post-office to the banking town 9 miles away, over such a road as I have described?

Mr. TETER. If I had a bank at your town of Indian Mills, and were sending money from that town to the nearest town, as you describe, I would send at least two men under arms with every conveyance of money. The expense would be, presumably, twice what it is now, where one man is employed, presumably.

Mr. GARDNER. No; there is no mail travel between that village and either of those towns. They get their mail by star route from a station on the southern road. There is no mail route, neither rural nor star route, between the village of Indian Mills and either the town of Medford or the town of Hamilton.

The CHAIRMAN. In a word, Mr. Teter, you would say that the equipment of the post-offices and the transportation of money from post-office to bank are matters of large importance, which should be given careful consideration?

Mr. TETER. That is my point, Mr. Chairman, exactly. The question of the auditing in connection with this work I will simply indicate in the slightest way, because I do not want to take so much of your time. But our experience is that even in a single institution there is a very great deal of work about it. The volume of that, in case we have a bill, will depend largely on the regulations that are made. If, as has been suggested in some quarters, a pass book will be the only voucher, and the signature of the depositor will be in the pass book, and presenting the pass book and making the signature like the one in the pass book is to be the only means of payment, that will lead to one line of confusion, of course. The question of checking the amounts of deposits back to some central point, of course, involves another lot of questions. In other words, if the chief books of the postal savings depositories are kept in Washington, it inevitably must follow that all withdrawals of funds must be authorized from that central place, and the operation of withdrawing money in southern California would be something of this sort: A man would stop and apply at a local post-office for his money. He would sign a receipt, and it would go through to Washington with the book. In due course an auditor's check, drawn on the nearest depository, perhaps, would go back to the local post-office in southern California to be delivered to the local depositor. He, in turn, would have to go to the bank—because after all is said and done, gentlemen, we are not going to do without the banks in this proposition—and draw the money on the check. Frankly, I see no other safe and sound way of doing it.

Mr. FINLEY. What would that cost?

Mr. TETER. That is so dependent upon the volume of the business that any estimate would be probably wild, of course. I think, too, that the deposits must be handled in the same way.

Mr. FINLEY. I mean to handle the deposits.

Mr. TETER. I can not see how, under any degree of safety, these deposits can be made at any post-office without being confirmed back to the depositor at the point of deposit. The auditing and checking staff of such a system as that, for a country like ours, would require several additions to our government buildings in Washington. That is obvious, because if only 100 accounts are opened at each office, and there are 50,000 offices, that means 5,000,000 accounts.

I should be very glad to answer other questions on that matter of equipment and auditing, but I will hurry on. I simply wanted to call the thing to the attention of the committee.

Mr. FINLEY. In banking, about what is the percentage of clerical assistance in accounting for the business generally? That would give some idea, would it not, taking into consideration that there will be duplication, if there is any or to be any?

Mr. TETER. In the institutions with which I am familiar one bookkeeper can handle the accounts of about 10,000 depositors. That is simply the bookkeeping end, because, of course, in the banks we do

not have these various forms to pass back and forth. I presume the duplicating would about double the amount of work.

The CHAIRMAN. You are speaking only of savings banks now?

Mr. TETER. Certainly.

Mr. FINLEY. And the bookkeeper could not handle the accounts of 10,000 commercial depositors?

Mr. TETER. Certainly not; I was speaking entirely of savings accounts, absolutely, and that simply is the matter of posting the debits and credits on the ledgers; that does not include any of the correspondence that would be necessary. Of course, if it would be necessary to address one envelope and make out one slip in connection with each deposit, it would practically double the work.

Mr. FINLEY. Would adding 100 per cent to that—I mean to the bookkeeping—cover the other clerical work and whatever work was necessary to be done at each end of the line—four men to each 10,000 depositors?

Mr. TETER. Yes, I think that would be sufficient; but I am assuming that in most of these small post-offices no additional help would be needed if the present help is competent. Of course, that is another question that you know more about than I do; but the question was touched upon, I think, by a Member of Congress this morning.

Mr. GARDNER. Right at this point, I have written a question which I would like to have you answer. The chief element it is sought to incorporate into our banking system by the postal savings-bank bill appears to be safety, for the purpose of inspiring a right-placed confidence in the public, to bring money out of hiding, and so forth. The question with which the committee is confronted is how to accomplish this purpose with the least injury to the capacity of the individual to borrow, to general business, and to the banking business. Now, assume the existence of a bank with $100,000 capital and $100,000 deposits. Assume the postal savings banks are created, and $20,000 deposits are drawn out and put into the postal savings banks. The bank can get the deposits back, so to speak, by putting up $20,000 of security with the Government. How much additional capital would this require for the bank to do an equal amount of business as before, with equal safety, and what effect would it have upon the bank's ability to pay interest to the depositor—that is, the rate of interest—and how would the borrowing capacity of the patrons of the bank be affected?

Mr. TETER. The answer to that is not difficult, in my judgment. The reduction of deposits to the extent of $20,000 would limit the loaning ability of that bank just to the extent that its deposits were reduced, less the cash reserve. If the bank is carrying 25 per cent cash reserve, and it has lost a $20,000 deposit, it should reduce its loans at least $15,000, and in practice that would be the result.

Mr. GARDNER. To get the deposit back it must take from its securities $20,000 and deposit with the Government. Whatever it would reduce its loans represents, in the other portion, the amount of the additional capital that would be required to do the same business with safety that it did before?

Mr. TETER. Yes.

Mr. GARDNER. Then, does it follow that the effect of obtaining money in that way from the postal savings banks would reduce the efficiency of the banking facilities in proportion to the amount they took under the postal savings-banks regulations about three-fifths?

Mr. TETER. As I understand the question, there can be no very great difference between deposits taken from the Government and those originally taken from individuals; that is, so far as our reserves are concerned. The point was pretty well covered yesterday that the single deposit from the Government would not be as desirable, and possibly not as stable a one, as the numerous ones from the local citizens.

Mr. GARDNER. To state just what I mean from the other angle of the problem, to assume that all deposits went into the postal savings bank, and the bank had to get them back by putting up security for them, it would then require double the amount of capital to do the same business that it did before the postal savings bank took the money, would it not? First, the capital to purchase the securities, to put up the money; second, the banking laws would operate upon the deposit just the same as though it had come in to the bank from the depositor.

Mr. TETER. It certainly would if it would have to go outside of its own securities to secure the suitable securities for the Government.

Mr. GARDNER. Outside of the securities which it held as security for its loans.

Mr. TETER. Precisely.

Mr. LOWDEN. As a matter of fact, every savings bank has securities of the kind it would require in order to obtain this deposit from the Government. It would not have to go out and buy new securities.

Mr. TETER. Well, that question has been pretty well covered in the hearing. It depends, first, of course, upon what we are calling savings banks in our discussion. You understand it has been made pretty clear before this committee that while there are perhaps only twelve or thirteen hundred mutual savings banks, which some people call savings banks only, there are according to the Monetary Commission national banks in the United States that are taking savings deposits. I say that a large number of those 18,000 banks do not have securities of the kind that have been required up to the present time by the Government as security for government deposits. Of course the bill does not provide what securities shall be required. If in the judgment of the final drafters of the bill it should provide that first mortgages on local real estate should be accepted as security, then I would say that a very large percentage of these banks have such securities.

Mr. GARDNER. You are now speaking of state savings banks; but national banks have no security of that kind.

Mr. FINLEY. They often hold them as collateral for some n te.

Mr. GARDNER. That is a practice that has grown up with us.

Mr. LOWDEN. It is expected that the postal savings banks would draw from the savings banks of the country, not the commercial banks, not the national banks, is it not?

Mr. TETER. According to the last report of the comptroller there are considerably over 2,000 of the 6,800 national banks that have savings departments. The Monetary Commission's report shows a number of banks, particularly west of the Allegheny Mountains, that do both a commercial and a savings business.

Mr. GARDNER. Let me inform you, Mr. Lowden, as to New Jersey—I do not know about any of the other States—we have a savings-bank

law, and our strong national banks from among their stockholders organized a trust company, and it takes the place of the savings bank.

Mr. LOWDEN. But it is not subject to the national-bank law.

Mr. GARDNER. No; but it takes the place of the savings bank.

Mr. LOWDEN. That is true of Illinois. It is true of the First National Bank. Wherever there it a savings department, even of a national bank, it is the practice for that savings department to invest in first-class securities of one kind or another, such as first-mortgage real estate. In some instances, bonds, municipal and high-grade railroad bonds; they do that sometimes, do they not? That is, the savings department, even of a national bank, does not do a general commercial business, does it?

Mr. TETER. One can not make an absolutely general reply to that. The best security for a national bank, for instance, in Kansas, probably is chattel loans. That banker does doubtless loan the savings deposits he has on chattels. The national banking law prohibits national banks from making loans on real estate. I understand there is a bill before the House providing for segregating the savings deposits of savings banks and investing the money in first mortgages, and so on. That is not now the law. That is one of the things we hope will come about eventually.

Answering another angle of your question, Mr. Lowden, in our own city of Chicago there are no mutual savings banks. We have about $180,000,000 of savings which are in the capitalized banks. A number of them do a commercial savings business, as I think you know.

I wanted to say one word in reference to the western banks and their loans. There was a good deal of discussion this morning before the committee in reference to whether western banks had surplus money they were loaning in the East. I want to say that my experience and the best evidence I am able to procure go to show that not over 20 per cent of the banks west of the Mississippi ever loan money in the East; and those that do, loan it a while in the summer. The ones in the larger cities, of course, have accumulations of money, but the banks we are most interested in in this hearing are the small banks in the rural districts which at no time have the money to spare to send it into the financial centers of the country.

The point has been made several times that the reason there are no more savings deposits in the West than in the East is because of the difference in the laws. Now, I will cite simply one illustration to disprove that, and I think you will readily see the difference.

A large percentage of the people who go into the West are new people with limited means. Practically all they carry with them is the money that they use in making the first payment on land. Indeed, I know many banks in the Northwest that loan money to buy teams and so on, for the purpose of the first year's plowing, and so forth. It is obvious that a new people do not become accumulators of savings in savings banks, although the savings in the West are increasing rapidly.

When I went to Chicago in 1892 the total floating deposit in that city, with a population at that time of a million people, was $14,000,000. It now has a population double that, or perhaps a little more, and our savings deposits are $180,000,000.

That proves to my satisfaction that there is more idle money, more dormant money, going into the hands of the people as that community gets older. Long before Chicago is as old as New York I fully expect to see its savings deposits equally as large. And long before Iowa, Nebraska, Kansas, and Missouri are as old as are the communities of New England I should expect more savings deposits there than New England, because the natural resources from which these people have to draw are greater.

Mr. SMALL. As a rule, does the rural population deposit as savings less than those engaged in other industries?

Mr. TETER. Oh, very much less.

Mr. SMALL. To what do you attribute that?

Mr. TETER. You see the farmer is at least a quasi business man. He is engaged in a business; he issues checks to pay his bills; he buys stock and implements; and I think I defined it in my first expression—he is a quasi business man.

Mr. GARDNER. He wants and needs credit in the bank.

Mr. TETER. Yes, sir; and also wants to use checks.

Mr. GARDNER. The savings depositor as a rule is a man who does not need or care for a bank credit?

Mr. TETER. Precisely.

Mr. SMALL. Is it due in your opinion in any degree to the lack of savings deposits in any way arising from the pursuit—the fact that his savings deposits do not amount to as much as those in other industrial pursuits?

Mr. TETER. I feel so, most decidedly. In the first place the average farmer going into the West goes in as an investor first in land, on which perhaps he owes a balance. He has that to retire; he has his buildings to build, his farm to equip. In other words, his farm becomes his savings bank. Then as he has money accumulating he may use that in his checking account in the bank to trade in live stock, and so on. By virtue of his development through this process he becomes an active business man and very frequently purchases additional land, which becomes, in turn, his savings bank.

We have seen that over and over again in our section. The farmers who have made considerable fortunes in northern Illinois and Iowa are investing their surplus money in lands farther west, because they have seen success, and it is a business they know. The operatives in mills and other places are not so given to permanent investments of that sort.

The CHAIRMAN. If we were going to establish postal savings banks in a limited way experimentally, we had better commence in industrial communities rather than agricultural communities.

Mr. TETER. Mr. Chairman, most certainly. As I told this committee yesterday, the only place where I had been able to find any particular demand for postal savings banks has been among the foreign population or the sympathizers with them in industrial communities.

Mr. SMALL. I live in North Carolina, which is an agricultural State, and in some respects is typical of the other Southern States, where the savings deposits, compared with some other States, are comparatively small. I have been of the opinion that that condition was due, at least in part, to the lack of disposition and tendency,

and that was brought about by a lack of education on the part of the people; that it was not due to any great extent to a lack of confidence in the banks which existed and a lack of banking facilities. I would like to have an expression of your opinion as to whether the savings deposits in agricultural States of the West are larger than they are in the agricultural States of the South; and if so, why?

Mr. TETER. The savings deposits in the agricultural States of the West are larger than they are in the South. I do not think it is so much due to the disposition of the people as it is to the economic position of the two sections of the country. The South now is developing very rapidly, and new banks are opening much more rapidly in the last five years than they did in fifteen years before.

Mr. SMALL. Very much more.

Mr. TETER. And the people have been rebuilding; they have been reorganizing.

Of course, I am telling something you know better than I, but the capital that has been accumulated is going back to make better the capital that is already invested in farms and otherwise.

In the West the return from the farm has been very prompt. I have visited many farming sections where the return from the first year's crop has been a very large return, and the accumulation of money has been more rapid; and where that money has not been invested in other land and in houses, and so on, it has, of course, lodged in the local banks.

On that question, if I may add a word, is it particularly important to the American people whether its citizens have money in savings banks or in farms and homes? This country, more than any other country in the world, has offered opportunities not only to the farmers but to the workmen to own their own places. There is evidence on every hand that nobody can deny that there is more property owned per capita in this country than in any other great country of the world. That is where, to a very large extent, the earnings of the American people have gone since the founding of the Republic.

It is a very pertinent question at this time to determine, after all, if these men in the West see fit to first buy a farm and pay off the mortgage on it, and after a while build a good house on it, with hot-water heat, as I have seen, and then go and buy new land—if that is not as satisfactory as savings banks, or as postal savings banks.

Mr. SMALL. For example, if a community or section which was an active industrial or farming section, where it was occupied by an industrious and thrifty farming population, the mere fact that they were not accumulating their savings by putting them in a savings bank would not necessarily mean that they were not prospering in the best sense.

Mr. TETER. Not at all

Mr. SMALL. Of course, if their money was invested in the improvement of their farms and in the introduction of more intelligent methods, or in a community engaged in other industrial pursuits, such as manufacturing, was invested in betterments, still it would be no indication of a lack of prosperity in that community or section; is that your idea?

Mr. TETER. It is; that is my idea.

Mr. GARDNER. That is, between two farmers having each a hundred dollars, if one took his money to a postal savings bank and the other bought an additional mare and raised another colt, it would not show in the banking statistics but the chances are the latter would be really the more successful of the two; would he not?

Mr. TETER. That is my judgment.

Mr. SMALL. It is an encouragement of the spirit of saving and of thrift, rather than the question of how he invests it, which makes for the prosperity of the individual and of the community or section?

Mr. TETER. Precisely; and there never has been any evidence that the American farmer is not thrifty. He was thrifty before the postal savings banks were ever thought of.

Now, gentlemen, in closing I simply want to say that I think we have all come to the point, from all angles, that this seems to be more of a foreign-people problem than anything else, and we must admit that it is considerable of a problem. We do believe, however, that it is one that should be given a great deal of consideration.

The statement that has been made that the present savings banks do not provide for the foreign population is not entirely true. Numbers of the mutual savings banks in New York have interpreters. I know of at least one in Pittsburg that does that. The foreign population that comes to this country, that lodges principally in the East, presents a very great problem, not only in connection with savings, but in connection with employment agencies, colonization schemes, steamboat agencies, and all of that. The rather ironical thing about it is that these men are robbed more often by their own countrymen than by anybody else. The very point where we all admit the best savings facilities exist, Manhattan Island, is probably where they are robbed more than anywhere else, and, as I say, largely by their own countrymen.

I believe there must be some other way of arriving at a solution of that problem. Down on the Bowery, in New York, is the largest savings bank in the United States, the Bowery Savings Bank. The facilities are there, yet doubtless within a few blocks of that very institution are the foreign bankers to whom reference has been made.

That is a problem that I believe should be given great consideration. I can not believe that this Government should take all the burden of administering this tremendous service that is here proposed, or do the uneconomical thing of, as I verily believe, blocking the development of our present banking system, to provide for that very need, because the need will not be satisfied simply with that. You will have to go into the whole immigration problem, which, as you well know, is tremendously large.

By your leave I want to ask Mr. Farnsworth, who is the secretary of the American Bankers' Association, of the entire association, to say just a word about the constructive work that our association is doing in the way of laws and educational work. I want to yield to him just a few minutes of my time.

In closing I simply want to say to you men that we have not and never have had any representatives in Washington to annoy you in reference to this problem. We are all unpaid men who look upon this problem from a professional standpoint. We are glad to come here at your request and will come again any time you want us to. We believe that this matter should have your careful consideration,

and certainly should not be made into legislation without the most careful review, either by your committee, which I expect is too busy to do it, or by a special commission.

I look upon the problem as being very nearly as important as the currency problem, which is, as it should, receiving careful consideration.

I will leave with your secretary the address of our secretary. We have an enormous amount of statistics with which we have not bored you. Those, or any of us, are at your command at any time. We thank you very much.

Mr. LOWDEN. Will you send to the chairman of our committee any statistics that bear on this proposition?

Mr. TETER. Yes, sir. Permit me now to present Colonel Farnsworth for just a few minutes.

STATEMENT OF FRED E. FARNSWORTH, SECRETARY AMERICAN BANKERS' ASSOCIATION.

Mr. FARNSWORTH. Mr. Chairman and gentlemen, I came down here not with the expectation of saying very much on this subject, but as the representative of the American Bankers' Association, and as one of its executive officers I would like to outline briefly the scope of the work of the American Bankers' Association, perhaps in answer to the charge or the claim which is made so often that bankers and bankers' associations are selfish and only interested in their own work and in their own business, and that that does not reach beyond the professional banker.

The American Bankers' Association was organized in 1875 for the purpose of cooperating and assisting in the bringing about of specie payments. The association did a large amount of good work at that time and from that time on in connection with the laws for banking and finance, and in that work they have been engaged for years since.

I do not need to recall the loyalty of the bankers of the country during the silver craze in 1896, the agitation of 16 to 1, and how the bankers of the country generally rallied around the gold standard, regardless of their politics. That is well known.

I want to place right on your record here a statement made by Mr. Stafford yesterday regarding the action of the American Bankers' Association at its convention in Chicago regarding the segregation of deposits. The work of our association is divided into sections and committees. We have a federal legislative committee. This federal legislative committee made a report at Chicago embodying several points of general interest to banking and finance, and among other things a suggestion as to the segregation of savings deposits and amending the present national banking act so that that might be made a part of the law. This came as a suggestion from the federal legislative committee. Very little argument ensued on that question, and it was finally referred to our currency commission. It was not turned down. I think only two or three gentlemen spoke on the subject, one opposed to it, and Mr. Johnson, who was here in favor of it. It was referred to the currency commission for future action.

The trust-company section, the savings-bank section, represented here, the American Institute of Banking section, are among the divisions of our work. The two former sections, the trust-company section and the savings-bank section, are working along lines of what most interests that particular branch of banking. The American Institute of Banking is composed of 11,500 bank clerks. The particular work of the institute is the education of the young men in the banks. There are 55 chapters. The boys get together frequently and discuss banking matters, and a great many of them are taking an educational course. That we think is for the general benefit of banks and banking.

The currency commission, which was organized some two years ago, took up the question of asset currency. We have felt sometimes that the agitation of asset currency and the educational work done by the American Bankers' Association had something to do finally with the appointing of the Monetary Commission.

Now, in our standing law committee and in our bill of lading committee and in that of uniform laws there have been laws prepared and placed before the various legislatures of the country which are in the interest of the business community. The bill of lading, for instance, is one that affects the commercial pursuits of the nation as much as it does the banks. Uniform warehouse receipts is another measure, as is the negotiable instrument act, which was prepared by the American Bankers' Association.

You gentlemen, who are business men or manufacturers and have occasion to do business in your States before this law was enacted and put into force, know that when you received a piece of paper you never knew what it meant; you never knew whether it was collectible even.

Mr. LOWDEN. Those two questions were passed on by the American Bar Association.

Mr. FARNSWORTH. Yes, sir; they were. The American Bankers' Association has been working on uniform laws in connection with the American Bar Association for years. There is a measure which directly affects the interests of the business men of the country in their commercial pursuits as it does the bankers.

Then during the last session there were some six or seven bills prepared by the legal department. Among others there was a law prepared to regulate or to punish those making false statements. That applied to the banks and also applies to business houses and business concerns that have occasion to take statements from their customers.

I want to say only a word about our detective department, because we look upon that as being to a certain extent a benefit to all of the various departments. Their work is the apprehension and conviction of criminals, those who by fraud and by forgery are practicing upon the banks and hotels and business concerns of the country—the professional criminal. We spent in the last year $52,000 in that work. While we may take those men up coming through a bank, at the same time as a rule the loss does not fall on the bank, but perhaps on some business concern that has deposited a check with the bank. As you are aware (and that is one of the points I think has not been taken up here or suggested) a large amount of depredation in this country is by yeggmen on post-offices. I think in New York State in the last three or four months there has been some 24 of those yeggmen operating on banks. We are after those men at the banks, and the more of them we put out of the way the less there are to depredate

on post-offices. I think we placed behind the bars last year some 100 criminals of various kinds, and some were for long terms.

That is perhaps one of the dangers, I think, in the establishment of postal savings banks, namely, the opportunity it is going to give this class of yeggmen who infest this country and who are continually preying on banks, and more particularly on post-offices, because as a rule a country post-office has very little security. They may have a small safe, which it is very easy to operate.

Listening to the witnesses here and the questions which have been propounded has brought up a great many points concerning which, if I had the time and you had the time, I think I could talk two hours relative to the complications which it seems to me will arise by the establishment of the postal savings-bank plan. Of course none of us know at the present time just what will be brought out in the way of details by the Postmaster-General for the handling of these post-offices. The gentleman from New Jersey asked a question yesterday in regard to these small savings banks, the banks passed around to families, and so forth. There it seems to me is a point that covers some questions that have been asked about what there is by way of inducement to have the children and perhaps the ladies make these deposits.

For some six, seven, or eight years there have been concerns which have been making a small savings bank, in some cases so small that it can be carried in the vest pocket and will hold dimes. Those banks have been distributed throughout the West quite generally in cities of fair size. They are generally promoted by concerns that make the bank. They go into a community to a bank and say if they will buy so many banks the manufacturers will place them throughout the community, the savings to be placed in these small banks, and the deposits put in the banking institution. That has been pretty general throughout the West. Those banks are used quite largely by school children. I know in Michigan, in some communities there, they have been taken up by the schools. The teachers have interested themselves in the savings of the children: they have made up deposits and those deposits placed in banks. These banks also are placed very often with ladies. In that way there are a great many of these banks in operation.

Then there is the question of branch banks.

Mr. GARDNER. Could you speak of the effect of that work?

Mr. FARNSWORTH. The effect of it?

Mr. GARDNER. Yes.

Mr. FARNSWORTH. Well, I know——

The CHAIRMAN. Just a moment. I have promised to give Professor Sprague, of Harvard University, an opportunity to be heard this afternoon. He has to leave for Boston on the half past 5 o'clock train. I want to suggest, therefore, that you avoid anything that does not bear directly on the subject.

Mr. FARNSWORTH. That was my intention. You mean directly on the subject of postal savings banks.

The CHAIRMAN. Yes.

Mr. FARNSWORTH. I understand that, and I will withdraw——

The CHAIRMAN. I do not wish to stop you. We would be very glad to hear you, but I want to keep my agreement with Professor Sprague, and therefore I would like to have what you have to say bear directly on this question.

Mr. FARNSWORTH. All that I have to say is right directly on this question of postal savings banks. In answer to your question, Mr. Gardner, I know in my own city, the city of Detroit, there are a large number of those banks out, and that it increased deposits to quite an extent in a small way in the banks that used these small banks, where they were placed out.

Then there is the question of branch banks which I was about to mention in connection with that, in giving the people what they require in the way of accommodations for the making of their deposits. In the city of New York there is one bank that has 20 branch banks distributed all over Manhattan.

Mr. LLOYD. That is not a national bank.

Mr. FARNSWORTH. No; that is the Corn Exchange Bank. National banks can not do anything of that kind at all.

There is one other point in this connection I think bears directly on this. There has been quite a little said here about the amount of money that might be in stockings and in stovepipes, and so forth, throughout this country. No one can tell anything about that. There is only one point I would like to call attention to in this connection. We can not compare the United States with Great Britain or Canada or any other country in the world. As far as my observation and experience has gone with the working classes in the city of Detroit, and for six years I was city assessor there, the class of people who come there, the Poles and foreign element not very long after their arrival will start to accumulate. That accumulation means the buying of a lot and the building of a home. Those small homes will be found all over our city, and I think to quite an extent that applies throughout the country. That money instead of being secreted and sent home is used very largely to build homes for these people.

There is only one other question about which I will perhaps say anything now and that was brought up this morning by Mr. Fordney. It seems his remark in regard to eliminating fourth-class post-offices knocks the prop out from under what this proposition was intended to be, and that is to give the people in the smaller communities banking opportunities which they do not now have. But he raised that question of the illiteracy, perhaps, of the postmasters. There is one of the difficulties the Government is going to find. I have with me here a postal card, which is a brief one from a North Carolina town, which perhaps illustrates to a certain extent the class of men who sometimes hold positions as postmasters throughout the country. It is very poorly worded and most of the words are spelled wrong.

The CHAIRMAN. I would not go into that.

Mr. FARNSWORTH. There is one other point, and I will close. I understand there is now before Congress, in the hands of your committee, a new bill for the reorganization of the Post-Office Department. It seems to me that is one of the strongest points as an objection to the plan of postal savings-bank deposits at the present time. If we are to believe what we read in the newspapers sometimes the Post-Office Department is one of the departments that seems less able to handle the vast business which is under its control than any of the other departments. I understand this proposed bill is to reorganize that department and place it in the position to handle this business as the business of the country is handled, in a business way by large corporations and others.

Mr. LOWDEN. What would you say as to the probability of the passage of this postal savings-bank bill being followed by an attempt to establish a central bank?

Mr. FARNSWORTH. My own idea has been from the beginning that all of these questions, the postal savings-bank question and all questions of that kind, should be held over until after the Monetary Commission makes its report, to see what will come out of that. It seems to me that then Congress will be in a better position to judge of the necessity for postal savings banks. It might make some considerable difference as to what would be done.

Mr. LOWDEN. Do you not think the passage of this postal savings-bank bill would be logically followed by the passage of a law for the establishment of a central bank?

Mr. FARNSWORTH. Not necessarily. I thank you.

STATEMENT OF HON. MARTIN B. MADDEN, A REPRESENTATIVE FROM THE STATE OF ILLINOIS.

Mr. MADDEN. I came here to say, Mr. Chairman and gentlemen of the committee, that I am in favor of the fundamental principle involved in the postal savings-bank bill; not in favor of any special wording in any bill, although I have introduced a bill. I realize that no bill introduced would probably cover all of the exigencies that might arise in the operation of a bank established by the Government to be run through the Post-Office Department without very careful consideration and study, and my hope is that when this committee gets through with the consideration of the question that it will be able to report a bill that will cover all the needs of the case. The principal reason which permits me to favor the establishment of postal savings banks in this country is that from the best information I can obtain, although, of course, it is not certain information, there is in existence in the neighborhood of $450,000,000 or $500,000,000 of hidden money.

The CHAIRMAN. Where do you get anything to base that statement upon?

Mr. MADDEN. I base it upon conditions which I know exist in certain localities; but I have assumed on the basis of certain conditions in other localities in the country that it would produce like results.

The CHAIRMAN. Do you mean hidden money that is being carried by people in their pockets?

Mr. MADDEN. No; I mean money stowed away and hidden under bed springs, in stovepipes, and in boot legs, paper wrappers, and all that; and I base the statement that I make, as I say, not on a scientific investigation, but I will give you one example.

I have a large number of men employed, and a town in which a good many of my men are employed is about 25 miles from Chicago. The majority of the men that we have in that town now are Poles, not of the first generation, but about of the third generation of Poles in this country. We give each man who is employed by us and has a family a sufficient amount of ground upon which to build a little house, and we charge him no rent for the ground. He raises his own vegetables and keeps chickens and pigs and everything else that he may need to help to make his family comfortable. There is a large Polish Catholic Church there, to which most of these people go.

Attached to this church is a large parochial school, having accommodations for I don't know how many hundred children. Some years ago this school was a frame building. It burned down; there was no insurance upon it, and the pastor of the church was anxious to erect a new school, so he came to me and wanted to know if I would assist him. I told him I would. I suggested that he put up a fireproof structure, and I furnished him the material with which to erect a new building and did not charge him anything for it. But he said that in addition to what I had given him he would require about $10,000, and he did not know where he could get it. I suggested to him that he announce to his congregation on the next Sabbath day during the services that he wanted to borrow $10,000 or more; that he wanted to pay a small rate of interest on it, and that he would be glad to borrow that money from his parishioners; that, in fact, he would prefer to borrow it from them; and that if any of his parishioners had any money that they wished to loan for the purpose of completing this school, if they would come in on Monday some time at the parish house and state that, he would be glad. He made the announcement that I had suggested, and before 10 o'clock on Monday morning $50,000 came in wrapped up in rags and paper and stockings and things like that from his people, who were not supposed to have any money.

The CHAIRMAN. Just a moment. Is there a bank in the immediate locality?

Mr. MADDEN. There was no bank in the town except a small state bank with a capital of $25,000, and I want to say that nobody had any confidence in it; that I hadn't. We had arrangements made with this bank to pay our pay rolls, which amounted to a very large sum every month, but we never deposited the money in the bank in advance of making checks.

The CHAIRMAN. How far was it to the nearest bank in which a person might put money with reasonable confidence?

Mr. MADDEN. Twenty-five miles to Chicago.

Now, my experience is this: I have been associated with workingmen all my life. With the foreign element, many of the working people of this country do not deposit their money in banks. And I do not care how good the bank is, how much confidence the community generally has in it, a good many of the foreign population don't save their money because of the fact that they don't deposit.

The CHAIRMAN. You would not include mutual savings banks in that limitation, would you?

Mr. MADDEN. No; and I am going to come to that. I think in certain sections of the country where mutual savings banks do exist that facilities are afforded which are not in existence in other sections of the country. But I wish to say, even in connection with the mutual savings bank, that it does not inspire the same degree of confidence that an opportunity to deposit in a federal postal savings bank would. It does not encourage the hope in the mind of the depositor that his money will be there when he wants it to the extent that the establishment of the postal savings bank would. It is not always a question of the amount of interest which is sought to be obtained. It is the question of the known ability to meet the obligation—pay the principal when it is called for—that meets the minds of the depositors that we seek to get which makes the postal savings bank necessary.

If we had had in circulation during the 1907 panic anything like the amount of money which I think is hidden away, we would not have had any panic; most people agree to that. If this money had been in the postal savings banks of the country there would have been no run upon those banks.

The post-office is doing a postal savings-bank business now to a limited extent, it is true. And it is doing a postal savings-bank business on a basis that is detrimental to the best interests of the business of the country, because the money which it takes on deposit as a result of the issuance of post-office money orders to people who come to buy them, and who believe that when they get them they have something in the shape of security for their money, is being tied up, and and that sort of business ought not to obtain. So that if a large element of the population of the country insists upon buying money orders, paying the price which the Government charges for them believing that they have security for their money when deposited with the Post-Office Department, is there any reason why this money when deposited there should not go into circulation? On the contrary, there is every reason why the post-office authorities should not issue money orders as they do to-day and hold the money. I don't know how much of this money they do hold, and I don't know that the Government knows how much it amounts to.

Mr. SMITH. They do not lend any of it?

Mr. MADDEN. What do they do with it?

Mr. SMITH. Put it in the bank. Every postmaster banks his money at night, does he not?

Mr. MADDEN. I don't know.

Mr. STAFFORD. They are not required to deposit it only in large cities.

Mr. MADDEN. We have many post-offices where they have no banks.

Mr. SMITH. But not where they are buying very large money orders?

Mr. MADDEN. Oh, yes; we have lots of postmasters in fourth-class post-offices where they have no banks.

Mr. SMITH. But they do not allow the postmaster to carry very large amounts of money.

Mr. MADDEN. For instance, in the town of Lemont they have 5,000 people. There is no bank there excepting a $25,000 capital bank. Then, there is the town of Lockport, in which there are a large number of men employed, 8 miles away from Lemont. There is no bank there excepting one with $25,000 capital, and nobody wants to deposit money in that kind of a bank, because they haven't confidence in them.

The CHAIRMAN. You don't mean to imply that a bank of $25,000 capital, or even of $10,000 capital, may not be sound and responsible?

Mr. MADDEN. I mean that a bank of $10,000 capital or $25,000 capital under certain conditions has not a sufficient amount of money to employ the kind of men that should be employed to conduct the business in the manner in which it should be conducted. Men of experience can not be employed and paid by banks having a capital of that size. And you can not successfully conduct the business of a bank without having men of experience.

The CHAIRMAN. What I wanted to call your attention to is that you are making a pretty severe stricture upon a large number of banks throughout the country districts which, generally speaking, seem to be well managed, and among which there is not an unusual or abnormal number of failures.

Mr. MADDEN. I am making a statement based upon what I have seen.

Mr. SMITH. Just one bank?

Mr. MADDEN. Oh, no.

Mr. SMITH. Would it be your idea, then, that the deposits in the post-office at this point that you speak of should not go into the local bank, nor should post-office funds be deposited in any bank where the capital is $25,000, or less?

Mr. MADDEN. If the bank is not sound, if it has not the securities to give the Government to guarantee that the money will be on hand to be paid when due, then I say that it certainly ought not to go there.

Mr. SMITH. Generally speaking, then, you would favor passing that money on to large city banks?

Mr. MADDEN. Whether I would favor that or not, that is what would happen, because money will always go to where it can be used.

Mr. SMITH. I would not put it in the possession of these banks where there would be danger of loss.

Mr. MADDEN. I assume that the Government will see that there is no money placed in banks where there is not sufficient security.

Mr. SMITH. But you do not assume that the Federal Government will undertake to examine into the status of state banks, do you?

Mr. MADDEN. I assume that the Federal Government will examine the status of the security which it will require to guarantee the payment of the money placed on deposit. It does not make much difference what kind of a bank it is.

Mr. FASSETT. Could not the Government require the President to deposit in state banks, and that state bank submit itself to government inspection?

Mr. MADDEN. Of course, but the inspection made by the State is just as good as that made by the Federal Government.

Mr. FASSETT. That might be, and yet wouldn't you think that the man who has deposited the money ought to have control of the inspection?

Mr. MADDEN. If the man who was depositing the money was depositing all the money——

Mr. FASSETT. But he would be, would he not? He would be depositing all the money that would be deposited.

Mr. MADDEN. The Government could insist upon national as well as state examination, of course.

Mr. SMITH. Suppose the state examination of a state bank indicated that it was sound, and that it ought to continue, but if the Federal Government made an examination, and the examiner said that it was not sound, and ought to liquidate, then what would you do?

Mr. MADDEN. Then you would have to compromise, like you do sometimes.

Mr. GARDNER. Speaking of little banks, we reduced the necessary capital for national banks some years ago to $25,000, which it seems has been a beneficial thing, because they have sprung up all over the country. Now, if we assume that their deposits, or a large part of

them, are drawn out and go into the postal savings bank, and they can get them back by putting up security for them, it is all right to say that that money ought not to go into the bank that the bank could not give security for, but it takes that much of its capital to make that kind of security, and will it not require almost twice the capital of one of these little banks to do the same amount of business with equal safety that was done before, and must that not in the end affect the rates of interest?

Mr. MADDEN. I am not prepared to agree with the assumption of the gentleman, for I don't assume that any person who has learned the habit of making deposits in a bank, and taking his chances on the security which the bank affords for his deposit, will withdraw from the policy which he has been pursuing in the past. What I do assume is that in addition to all of the money which the bank has theretofore been able to get from the surrounding depositors, it will get the additional deposits made in the postal savings bank by having it deposited there through the Government.

So that instead of requiring more capital, as the gentleman suggests, on account of having to buy securities to meet the conditions that arise, there will be more money in the bank than there ever was before, if the conditions in the locality in which the bank is located are such as to justify the retention of the money in the bank in that locality instead of sending it to some place where they need money. The farmers all over the United States to-day are rich, and they deposit their money in the local banks.

Mr. GARDNER. May I dispute you as to one case?

Mr. MADDEN. Well, of course, I mean farmers; I do not mean agriculturists. They deposit their money in the local banks, and they do not borrow money any more, and so the result is that this money goes to the centers where it is needed and can be used.

But in addition to the accommodation which you give to the people and the security which the establishment of these banks would afford, you are creating a new class of enterprise among the citizens of the United States. You are encouraging in them the habit of thrift and frugality. You are interesting them in the Government of the United States; you are making them more watchful of their Representatives; you are making them take an interest in the things that are being done because they are interested in a monetary sense; you are encouraging them to learn the habit of saving and utilizing and investing money. I suggested in the bill which I introduced that $300 should be the limit which could be deposited by any one person in any one year, and that $1,000 should be the total limit of deposits by any one person upon which interest should be paid, and my thought was when that clause was put into the bill that when a man had learned to handle money and place it under somebody else's control, that of the Government, if you please, after he had been doing that thing for a given length of time, he would have learned the habit of handling the money himself, and that when he had $1,000 he would know how to invest it so that he could draw interest on it.

Mr. STAFFORD. In that particular, may I draw your attention to numerous cases where persons, after they have accumulated $1,000, have not acquired the ways of making private investments, but preferred to have their moneys deposited in savings banks, drawing a small rate of interest.

Mr. MADDEN. Oh, there may be numerous cases——

Mr. STAFFORD. Is there any reason, from a governmental standpoint, why, when people have funds in excess of $1,000, they should not be permitted to deposit them, so that they can be drawn out from hiding and utilized in the avenues of commerce?

Mr. MADDEN. I do not suppose there is any serious objection to that. Personally, I would not object to it. My thought was, in making the limit, that we would encourage the person who had the deposit to learn some method of investing his own money.

Mr. STAFFORD. Your provision does not limit the amount?

Mr. MADDEN. It limits the amount which may draw interest.

Mr. STAFFORD. There is no limitation of the total amount that may be deposited; it only limits the amount that may be deposited in any one year?

Mr. MADDEN. It cuts off all interest except on $1,000. But all of these bills must necessarily be more or less suggestions. Nobody can assume to work out the whole story. Nobody will assume to work it out. It will be worked out after consultation, after investigation, after deliberation, and the hope is that the men who are interested in the work of consulting, deliberating, and investigating will reach a conclusion that will be fairly satisfactory to the people of the country. But the one thing in which the rank and file of this country are interested more than any one other thing—and I speak from experience; that is, from my contact with the rank and file of the people—is that an opportunity may be afforded them, through the establishment of the postal savings-bank system, to find a safe place in which to deposit their earnings and savings; and I may state that when there was some agitation about a year ago as to the possibility of the consideration of a postal savings-bank bill I wrote to 30,000 people a letter, in which I gave a synopsis of the bill which I had introduced.

I stated that the post-office savings-bank bill proposed would allow married women to open accounts; that deposits of $1 and upward could be made; that a rate of interest amounting to 2 per cent would be paid; and no interest should be paid after $1,000 was deposited, and so on. I asked the opinion of every person to whom I wrote as to what they thought should be done, and I received back over 21,000 letters in reply to the 30,000 I sent out, and there was only one letter in the whole lot in which the writer objected to the establishment of the postal savings bank, and every other letter was enthusiastically for it.

Mr. BELL. What was the class of people you wrote to?

Mr. MADDEN. I wrote to all the people in my district, without regard to class; I did not try to select classes. I know the bankers are against the proposition, and I represent that district in which there are more bankers than in any other in the United States, except, perhaps, some district in the city of New York. All the bankers in the city of Chicago are in the district I represent. I am a banker myself—I do not know much about it, but I am interested in it—and I am for the post-office savings bank, because, regardless of what my personal interest as a banker might be, I think I ought to do something for the people of my country and I think this is a way to give them what they ought to have; and whether, as a banker, I would feel that it was going to be an injury to me in my

banking business to have a postal savings-bank system established or not, I would still favor the establishment of a postal savings-bank system, because I believe that its establishment will be one of the greatest things that can be done for the people who need things done for them in this country.

The CHAIRMAN. Do not the bankers object to this legislation on the ground that it is the least economical way of conducting the business that can be worked out, rather than because it may have some effect on their business, pro or con?

Mr. MADDEN. I never heard any special reason given why they objected; but I know they object to it. I never got into any controversy with any of them about it. I know that the people who are associated with me in the bank that I hold an interest in are opposed to the postal savings-bank bill, but I think they are making a mistake. I think that in the end the establishment of the postal savings bank will not only be better for the people at large, but will be better for the bankers. There will be more money in circulation and less money in hiding; there will be more satisfaction on the part of the people and more happiness in homes; more people who have learned the habit of saving and frugality, and more who will have opportunities to know for a certainty that whatever money they do save will be in a place of safe-keeping, so that it can be withdrawn at a time in the declining years of their lives when they most need it; and I have seen so many of them who have made deposits in banks here, there, and everywhere, and have learned the habit of saving, and have lost their all by the failure of a bank and have become wrecks because of the distress which that brought upon them, and have never attempted again to recuperate the habit of saving. And now, if we can start a fundamental proposition that will be certain in its results and will give the people the assurance that when they deposit their money they will be able to get it when they want it, we have done something, in my judgment, for humanity.

The CHAIRMAN. Are there any special features of the bill which you have introduced, which you want to call to the attention of the committee, other than those you have mentioned?

Mr. MADDEN. No; I just want to call the attention of the committee to my fundamental interest in the proposition, and I assume that the gentlemen sitting around this table have sufficient integrity and sufficient intelligence and sufficient patriotism to draft a bill, if they are in favor of a bill at all, to meet the case which has to be met.

The CHAIRMAN. Have you any comment to make on the suggestions as to limit of the number of post-offices in which these banks are to be established?

Mr. MADDEN. I would rather think that a conservative method of procedure should be adopted at the beginning, and that no post-office should be used as a savings bank until such facilities are supplied to the post-office as would justify the Government in believing that it had ample means of protecting whatever money was deposited there.

Mr. HAMER. Do you think that would result in confining the handling of postal savings-bank deposits to the towns only having banks?

Mr. MADDEN. No, I think not. What I mean by that, Mr. Hamer, is that if a post-office was established off in the woods, forty or fifty miles away from a town, it would not be safe to deposit money there

until the facilities had been afforded for the protection of the money deposited. But as a matter of fact the greatest amount of money that you will find hidden away will be in the small towns. It will not be on farms. Most people on the farms use their money buying cattle or developing new agricultural schemes, or putting up fences, or new buildings, or something of that sort, or buying an additional farm.

Mr. GARDNER, of New Jersey. I think we ought to call your attention to the fact that an eminent gentleman from Georgia was here before the committee representing the Farmers' Union, who stated that as to the South it was on the farms that the money was hidden away; that it was in considerable sums; that it was becoming to be known; and his pathetic plea for postal savings banks was that they would establish these postal savings banks out in the country, and that that would take away the inducement for murder and robbery and arson that were now practiced to try to get possession of that hidden money on the farms in the South.

Mr. MADDEN. Of course, what I say is only an opinion. What he says is probably equally so. But I am sure as to the small towns where men are employed in large numbers, that there is money which is not deposited and which would find its way into postal savings banks if they were established.

Mr. HAMER. The property facilities for caring for these deposits in the smaller post-offices would contemplate a burglar-proof safe.

Mr. MADDEN. They probably have that now.

Mr. HAMER. The Post-Office Department does not furnish those safes.

Mr. MADDEN. Who does?

Mr. HAMER. The postmaster furnishes the safe himself, if he has one.

Mr. MADDEN. What does he do in case he does not have it?

Mr. HAMER. He is responsible for the money without any particular method of safeguarding it.

Mr. MADDEN. You do not find any of them refusing to take the job.

Mr. HAMER. There are some of them that do. That was just the point I was trying to make. If you limit those deposits to those places having facilities for taking care of the deposits you are substantially limiting them to post-offices in towns where there are banks.

Mr. MADDEN. Well, assume that you do. My contention, then, is that the money which goes into the post-office savings bank will not go into the other bank under any circumstances except the circumstances which will be created by the establishment of the postal savings bank.

Mr. HAMER. Yes; but my question was in line with your suggestion, that until this matter passes the experimental stage the post-offices permitted to accept deposits should be limited to the more important offices, or to the offices having proper facilities for safely taking care of the money.

Mr. MADDEN. Let me put it this way, that they ought to be limited to the post-offices that are within the bounds of civilization. When I say that, I do not mean that there are any uncivilized places in the United States, but that it should be where the post-office is easy of access.

Mr. HAMER. That would not help the security of money, because the postmaster in a small town out here might be right in the midst of civilization, but if he had no safe in which to keep his money he would not have the facilities for taking care of it. And it strikes me that under that theory the only post-office that would have the necessary facilities for taking care of the money would be a post-office in a town where there was a bank and when the postmaster accepted the deposit in the post-office savings bank he could immediately step over to the bank and deposit it there for safe-keeping, so far as his individual responsibility is concerned.

Mr. MADDEN. I do not assume to be all wise. I am only telling you what I think, and nobody else may think like I do, but still that does not interfere with my thinking that way.

Mr. HAMER. No; I was only trying to get your idea.

Mr. MADDEN. Well, I gave my idea; and I still think that the post-office bank will be a beneficial thing for the American people, and I will be glad if any gentleman has any questions to answer them.

Mr. GARDNER, of New Jersey. Really, as a practical question—this is not theory, it is practice—we have got to make these money-order offices postal savings banks or not. If we do not, the people in the rural districts of this country, who are agitating this bill, will be disappointed.

Mr. MADDEN. I think every money-order office should be a postal savings bank.

Mr. GARDNER, of New Jersey. How many thousands of those are there—60,000?

Mr. MADDEN. I have not any idea.

Mr. GARDNER, of New Jersey. Say 70,000; and they are in the rural districts. Now, they are to be made postal savings banks; the money is to go into them. The matter of taking care of it is a practical question. There are very considerable towns, even in the populous East, that are many miles from a bank, and the Government must provide a burglar-proof safe there, of an expensive kind, or it must take the responsibility and the risk of loss, or it must put it onto the postmaster. The responsibility is somewhere, and it is a big question and a practical one.

Mr. MADDEN. That is one of the questions that you gentlemen who are on this committee will be called upon to solve, and I should be very glad, indeed, if I could help you to solve it.

Mr. GARDNER, of New Jersey. If we are to have a messenger each day from every one of these money-order offices to some bank in town to take the money, the expense looms up as an enormous item.

Mr. BELL. If Mr. Gardner is through I would like to ask you some questions.

Mr. GARDNER, of New Jersey. I am through.

Mr. BELL. Is it your judgment that the positive guarantee of safe repayment of the money to the depositor by the Government is the thing which will appeal to the people most, in a postal savings bank?

Mr. MADDEN. I do not understand that the Government is making any guarantee at all, but what I understand is that the faith of the people in the ability of the Government to pay is the thing which will attract the deposits from the people.

Mr. BELL. Whether you call it a guarantee or not, do you not get the same result?

Mr. MADDEN. I want to put it just exactly the way I put it.

Mr. BELL. Well, you and I are not going to get into any controversy over this.

Mr. MADDEN. No.

Mr. BELL. As a concrete proposition this would be true under any postal savings-bank system that may be established, that there would hardly be a bare possibility but what all depositors would have their money repaid, if the Government had to come down and appropriate the money to do it?

Mr. MADDEN, I suppose, of course, that is a fundamental proposition.

Mr. BELL. That is a fundamental truth, is it not?

Mr. MADDEN. Yes; you can not get away from that.

Mr. BELL. So that it would be the guarantee or the integrity of the Government behind the deposit that would give the people faith in it?

Mr. MADDEN. It is the power of the Government to meet the obligation which would encourage the people to hope that they would be able to get their money.

Mr. BELL. You seem to have given this considerable thought. What would be your judgment if a postal savings-bank system was put in force, say, in all money-order post-offices in this country, as to the volume of the deposits that would occur annually? Have you any idea on that subject?

Mr. MADDEN. I have not an idea. That would be a guess, anyway.

Mr. BELL. Have you any guess on it?

Mr. MADDEN. I think the first year would bring out most of the money that is in hiding. If it did, and my figures estimate the volume of that to be about $400,000,000, that is what it would amount to.

Mr. BELL. Then would it not be your judgment that from year to year it would go on increasing?

Mr. MADDEN. I do not think it would? I think you would have larger deposits the first year than you ever would have in any other one year.

Mr. BELL. Now, taking the wealth of the country, the wealth of our Government, the population of our country, as compared to other countries, say France and Germany, that have postal savings banks, and comparing our wealth and population with their wealth and population, and then taking into consideration—this is a hypothetical question—the amount of deposits in those countries, and comparing that with the conditions in this country, do you not believe that the amount of deposits in postal savings banks in this country would be enormous?

Mr. MADDEN. Yes; of course it would be enormous; there is no doubt about it, and I think the more enormous it is the better it will be for the people. When I say "the people" I mean those people who are struggling for a livelihood, and for whom the people in power, no matter who they may be, should have a care. I think there is something more in life than mere money, and if we can encourage the people who are struggling for existence and help them to a better condition of things by the establishment of a postal savings-bank system or by the establishment of any other system, we ought to do it.

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Mr. BELL. Have you any fear on the proposition that the postal savings bank would have a tendency to withdraw money from that big western country of yours out there and put it in the large money centers of the United States?

Mr. MADDEN. My belief is this, that it does not make any difference what proviso you would make in this bill about where the money shall be deposited, the money will go to the place where it is needed, when it is needed, just as it does now. If a depositor puts his money in the postal savings bank, whether it is $100 or $500 or $1,000, he will never think about where that money is going after he makes the deposit. If you put your money in a bank you do not think where it is going after you make the deposit, but the fact is that it finds the place where the money is needed, and you can not stop it.

Mr. BELL. That is right.

Mr. HAMER. Do you draw from that view the conclusion that the deposits in the postal savings banks, if this legislation was enacted, would finally gravitate to the city?

Mr. MADDEN. They will gravitate to wherever the money is needed.

Mr. HAMER. Is not that the city?

Mr. MADDEN. It is wherever the business requirements call for money, whether it is the city or the country.

Mr. BELL. Do you entertain any fears about the provisions in the Senate bill——

Mr. MADDEN. I do not know the provisions of the Senate bill.

Mr. BELL. Just a moment, now. Do you entertain any fears about the provisions of the Senate bill which provide that under exigencies the President may transfer the deposits?

Mr. MADDEN. I do not think I would give the President any power to transfer any deposits under any circumstances, not even in case of war.

Mr. BELL. You do not take kindly to that proposition?

Mr. MADDEN. No, sir; I would not do it. I do not say that I would not vote for it.

Mr. BELL. You are here to help us this morning.

Mr. MADDEN. I say that if I was doing it; if I had carte blanche, which I have not, I would not do it. I do not think that the President ought to be given any power in this bill to transfer any money except by direction of Congress, whether it be postal savings-bank money or any other money.

Mr. BELL. I think you are quite right on that, Mr. Madden.

The CHAIRMAN. Are there any more questions?

Mr. BELL. That is all I have to ask, Mr. Chairman.

Mr. STAFFORD. Mr. Chairman, I wish to offer, for submission in the record, a letter that I received a couple of days ago from the former superintendent of savings banks in Canada, Mr. David Matheson, who appeared before the subcommittee on the postal savings bank in the last Congress. He wishes to change an important answer that he gave in response to a query that I propounded to him with regard to the cost of administration of savings funds in the postal savings depositories in Canada. Briefly, he then stated that the cost was six-tenths of 1 per cent, whereas in this letter he wishes to correct that and to say that his error was based on the assumption that they were paying 3½ per cent, and that he did not wish to convey the idea that it was that amount, but merely fifteen-hundredths of 1 per cent of the total. I ask to have that letter incorporated in the record, as he requests.

The CHAIRMAN. If there is no objection, the letter will be incorporated.

The letter referred to is here printed in the record as follows:

340 FAIRFAX AVENUE, NORFOLK, VA.,
March 17, 1910.

DEAR SIR: I see that the postal savings-bank question is now before the House of Representatives and the "hearing" going on before the committee. When I was before your committee on the 16th of February of last year you asked me what the cost of the Canadian system was, and I answered (see page 71 of the committee's report), $3.65. My reply should have been $3.15. I did not notice my error until my attention was called to it by Mr. Harrington, my successor in the management of the savings bank branch of the post-office department at Ottawa. I had, owing to my now somewhat defective memory, quite forgotten that the calculation ($3.65) which I quoted was the one made when our interest rate was 3½ per cent and before it was lowered to the present figure—3 per cent. Should this matter of cost come up again, I should esteem it a great kindness on your part if you would put the committee right on this point for me. I do not wish anything I said to mislead.

It does look now as if Congress would establish the postal savings bank in this country. May I ask you whether my name could be put on the distribution list for a copy, day by day, of the hearings before your committee on the savings bank case? I can not go up to Washington myself, and therefore I am taking the liberty of making this double imposition on your kindness. I have still a very pleasant recollection of our brief talk of last year.

Very sincerely, yours,
DAVID MATCHESON.

Hon. W. H. STAFFORD, M. C.,
Washington, D. C.

The CHAIRMAN. I have here a communication, written from Pittsburg by a man I do not know, but who asks to be heard in this way before the committee. This is an argument against a postal savings-bank bill, and it seems of such a character that I think it would be proper to include it in the record. I will so include it, if there is no objection.

Mr. STAFFORD. May I ask whether the chairman has had requests from many persons requesting a hearing in favor of the proposition of the establishment of postal savings depositories?

The CHAIRMAN. All persons who have requested a hearing have been heard.

(At 1.30 o'clock p. m. the committee adjourned.)

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